

**NATIONAL GAS TRANSMISSION PLC****GAS TRANSPORTER LICENCE****IN RESPECT OF THE NTS****(Conformed copy as at 06 February 2023)**

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## **MODIFICATION HISTORY**

<b>Date Change Made</b>	<b>Detail/Date Effective From</b>	<b>Version</b>	<b>Agreed by</b>
27/03/02	Modifications to Standard Condition 6 and Amended Standard Condition 20 following introduction of revised GSoS regime	2.2	CT
28/05/02	Change of Financial Year modifications – changes to Std. Condition 1; Special Condition 2; and Special Condition 3;	2.3	CT
27/09/02	Price Control Review Modifications incorporating changes to Amended Standard Condition 4E, Standard Condition 6 and Standard Condition 9. New Special Conditions 26, 27, 28A, 28B, 29, 30, 31, 32, 33, 34, 35, 36 and 37	2.4	CT
23/10/02	Modifications incorporating changes to Standard Condition 41, Amended Standard Conditions 1, 24, 30, 45 and 47, Special Conditions 2, 3, 4, 5 and 26 and to introduce a new Special Condition to address issues arising from the merger of National Grid Group plc and Lattice Group plc	2.5	CT
19/08/03	Correction of spelling of 'Aldbrough' in tables in SpC 28B and Schedule A. New table added on page 239. Addition of two new entry points in table on page 238 and in tables in Schedule A. (Takes effect 11.08.03)	3	RT
15/01/04	The addition of a new NTS entry point and UCA at Garton and the removal of the UCA, TO and SO output measures for Aldbrough.	3.1	RT
02/02/04	A new requirement that the Authority should have received an application for a designated area no later than 31.12.03 in order for Condition 4C to apply. Also, the addition of Special Condition 39 (Charging of Gas Shippers – Domestic Infill Premises) allowing for the inclusion of a surcharge when charging in accordance with Condition 4, subject to certain requirements.	3.2	RT
31/04/04	1) Modification to SpC 31 reducing the price control on the provision and maintenance of domestic credit and prepayment meters 2) Modifications to ASCs 1, 4 & 4A and SpCs 28A, 28B & 36 separating the existing LDZ transportation activity revenue restriction price control into eight separate price controls for each of Transco's Distribution Networks and also allowing for separate distribution network transportation charges corresponding to the separate distribution network price controls 3) Changes to SpCs 17, 28A 28B and 33 modifying the day-to-day or 'shallow' incentives included within the 2002 price control licence modifications, reviewing the parameters that were set for less than 5 years now experience has been gained into how the incentives operate in practice	3.3	RT
22/06/04	Addition of Standard Condition 14, implementing SPAA	3.4	RT

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25/08/04	<p>Licence amendments to support RGMA mods which took effect from 12<sup>th</sup> July 2004.</p> <p>Amendments to:</p> <ol style="list-style-type: none"> <li>1. ASC 8 (1) to remove shipper from the process regarding the request for a meter and require that Transco arrange for the provision of a meter to a domestic customer through a Meter Asset Manager which is defined in new paragraph 1A.</li> <li>2. ASC 17 (1) to remove the shipper from the process regarding a request for the repositioning of a meter. SC 17 (2) removed as it is no longer perceived relevant.</li> <li>4. ASC 39 (1) (a) and (b) to ensure that no information relating to or derived from Transco's transportation business is disclosed or used for the benefit or purpose of its Meter-Related Services Business or its Meter Reading Business.</li> <li>5. ASC 39 (4) redefines the definition of transportation business in its application to this licence condition to avoid any ambiguity regarding the services that the transportation business is required to provide.</li> <li>6. ASC 39 (7) to require Transco to establish measures to ensure compliance with the restriction of information flows between its transportation and Meter-Related Services Business and Meter Reading Business. Also included within ASC 39 a new paragraph 9 to define Meter-Related Services Business.</li> <li>7. ASpC 23 (1) to make it clear that Transco shall provide the relevant terms upon which it shall provide metering services direct to the relevant supplier not, as previously, via the shipper.</li> <li>8. ASpC 23 – inserting paragraph 1A to require Transco to provide Metering Services on reasonable terms.</li> <li>9. ASpC 23 (3), (4), (5) and (9) to make clear the supplier's duty in relation to the terms upon which metering services should be provided.</li> <li>10. ASpC 31 (4) to allow Transco to depart from its published statement of charges where it considers that this is necessary in order to comply with its duty to develop and maintain its metering business and meter reading business on reasonable terms.</li> </ol>	3.5	RT
25.10.04	<ol style="list-style-type: none"> <li>1. Modification to Special Condition 17 reinserting paragraph 6(b) and amending the definition of 'relevant period'.</li> <li>2. Modification to Special Condition 28 B Part 2 14 (6) - amending table in paragraph 6(a).</li> </ol>	3.6	EH
26.10.04	Update to definition of 'relevant date' – incorrect in V3.6	3.7	EH
22.07.05	<p><u>Effective 01.02.05:</u></p> <p>Modification of licence to separate revenue restrictions for NTS from those of RDNs and IDNs. Other terms unchanged.</p>	4.0	MT

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	<p><u>Effective 01.05.05:</u> Licence modified to introduce licence structure to support network sales. Standard Special Conditions in Parts A,B and D and Special Conditions in Parts C and E introduced. Standard Conditions replaced by Standard Special Conditions and switched off. Standard Special Conditions in Parts A and B and Special Conditions in Part C brought into effect.</p> <p><u>Effective 01.06.05:</u> Further minor modifications made to conditions in parts a-e to deal with issues arising out of consultations and to correct errors. Further amendments made to incentive schemes.</p> <p><u>Effective 12.07.05:</u> Amendments to Special Condition C19.</p>		
03.10.05	Modification of licence under C8B to include new entry points and UCAGs at Burton Agnes (Caythorpe), Blyborough (Welton), Winkfield, Tatsfield, Albury and Palmers Wood. Name of company changed on front page of licence to National Grid Gas plc.	4.1	MT
17.10.05	Modification of C8B(14)(5)(f)(a) to allow Ofgem to relieve the licensee from its obligation to use all reasonable endeavours to offer for sale obligated entry capacity.	4.2	MT
04.01.06	Modification of Condition 3 following consultation on licence fee cost recovery principles	4.3	MT
26.01.06	Effective from 26.01.06 Modification of conditions C5, C7, C8A, C8B (part 1a, part 1b(12) and (13)(1)), C14, c18 and Schedule A as a result of the consultation on transitional incentive schemes supporting the offtake arrangements. Change to SSpC A3 introduction of definition 'NTS Exit Flat Capacity'.	4.4	EH
14.02.06	Effective from 31.01.06 Change to Special Condition C8B by DTI. Omit words "determined in accordance with the principles determined by the Authority for the purposes of that condition". (Linked to changes in V4.3)	4.5	EH
06.04.06	Effective from 03.04.06 DTI modification to insert new special condition C22 Energy Administration: NTS shortfall contribution obligations	4.6	MH
17.08.06	Effective from 14.08.06 Modification to definition of UACj in part 2 para 14 (5) (a) of Special condition C8B and tables A1 and A2 in Schedule A.	4.7	MH
08.09.06	Effective from 01.10.06	4.8	MH

Date Change Made	Detail/Date Effective From	Version	Agreed by
	Modification of Special Condition C8B, part 2, 14		
28.09.06	Effective from 27.09.06 Modification of Standard Special Condition A5 (para 2)	4.9	MH
01.04.07	Effective from 01.04.07 Modification of Schedule A (Table A2)	4.10	JL
01.05.07	<u>Effective from 01.04.07</u> Modification of the SO incentives in Special Condition C8B <u>Effective from 01.05.07</u> Modification of Special Condition C3 – restriction of prices for LNG Storage Services	5.0	MH
05.06.07	<u>Effective from 04.06.07</u> Modification of Special Condition C8B – Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity Part 2, Para 14 (5)	5.1	JL
11.07.07	<u>Effective 01.08.07</u>  Modifications to references resulting from the Supply Licence Review  <ul style="list-style-type: none"> <li>• Standard Condition 28 Termination of Shipping Arrangements paras 1 and (2c)</li> <li>• Standard Special Condition A8 (Emergency Services and Enquiry Service Obligations) para 15 (a &amp; b), para 21 (b)</li> <li>• Standard Special Condition A9 Pipe-Line System Security Standards 1(c), 3(a), 5(a)</li> <li>• Standard Special Condition A10 (Provision and Return of Meters) para 6,</li> <li>• Standard Special Condition A11 (Network Code) para 1(e), (insert 1A, 1B, 1C),</li> <li>• Standard Special Condition A19 (Provision of Services for Persons who are of Pensionable Age or Disabled or Chronically Sick) para 2(b) (ii),</li> <li>• Standard Special Condition A48 (Last Resort Supply) para 15 (a)</li> <li>• Standard Special Condition A50 (System Development Obligations) para 8(c)(iv), para 8(e) , para 8(g), para 11, para 12</li> </ul>	5.2	JL
14.09.07	<u>All changes associated with the implementation of the 2007-2012 TPCR</u>  <u>Directed 5 September 2007</u> <u>Effective retrospectively from 1 April 2007</u>  Removal and replacement of Special Conditions C8A, C9, C10, C15, C16, C17 and C18  Removal of Special Condition C8B and replacement with Special Conditions C8B, C8C, C8D, C8E, C8F and C8G	5.3	MH

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	Addition of Special Conditions C1B, C11, C13, C14B, C24 and C25		
21.12.07.	<u>Effective 17 December 2007</u> Minor typographical amendment to Standard Special Condition A11	5.4	JL
3.01.08.	<u>Effective 19 December 2007</u> Amendment to Special Condition C8F (4) (c) (ii)	5.5	JL
08.04.08	<u>Effective 1 April 2008</u> <u>Standard Conditions</u> <ul style="list-style-type: none"> <li>• Alteration of Standard Condition 1 and 4B</li> <li>• Omission of Standard Condition C20</li> <li>• Addition of new Standard Condition C20</li> </ul> <u>Standard Special Conditions</u> <u>Part A</u> <ul style="list-style-type: none"> <li>• Alteration of Standard Special Conditions A3, A15, A30, A34, A35, A37, A38, A40</li> <li>• Omission of Standard Special Conditions A19, A20, A21, A22, A22A, A22B, A23, A24, A25, A55</li> </ul> <u>Special Conditions</u> <ul style="list-style-type: none"> <li>• Alteration of C1B and C8B</li> <li>• Addition of C26</li> </ul>	5.6	MH
16.04.08	<u>Effective 1 April 2008</u> Modifications to Special Conditions C8A and C8F as a result of consultation on SO incentives		
18.04.08	<u>Effective 1 May 2008</u> Removal and replacement of Special Condition C3		
04.06.08	<u>Effective from 29 May 2008</u> Amendment to Special Condition C8D to include Portland in Table 3 (Part A para 2 (c)(v) and Table 7 in Part C para 9 (c)(iii)(bb))  <u>Effective from 1 June 2008</u> Omission of the following tables from Special Condition C14 <ul style="list-style-type: none"> <li>• Residual balancing incentive information</li> <li>• System balancing incentive information</li> <li>• Other information required for general market monitoring</li> </ul>	5.7	MH
11.07.08	<u>Effective from 1 July 2008</u>  Modification of Special Conditions C8A and C8D following the outcome of the TPCR Gas Entry Baseline Review.	5.8	MH
17.07.08	<u>Effective from 11 July 2008</u>	5.9	MH

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	Modification of Special Condition C8G following decision on price control allowance for Xoserve		
09.09.08	<u>Effective retrospectively from 1 April 2008</u>  Modification of Special Condition C8F to include methane emissions venting incentive.	6.0	MH
07.10.08	<u>Effective from 1 October 2008</u>  Modification of Standard Licence Conditions 1, 3 and 9 and Standard Special Conditions A2, A3, A9, A11, A30 and B2 to reflect abolition of Gas and Electricity Consumer Council (Energywatch) and its replacement with the National Consumer Council.	6.1	MH
20.02.09	<u>Effective from 23 February 2009</u>  Modification of Special Condition C3 following consultation on Operating Margins (OM) Contestability. Effect of the modification is to enable Ofgem to suspend application of charges for provision of operating margins and supply of LNG storage services to any DN operator whose transportation system includes independent systems which are operated using LNG.	6.2	MH
17.04.09	<u>Effective from 1 April 2009</u>  Modification of Special Condition C8F following consultation on System Operator incentives  <u>Effective from 1 April 2009</u>  Modification of Condition 3 following direction by the Secretary of State  <u>Effective from 1 April 2009</u>  Modifications to C8A, C8B, C8C and C8E following consultation on licence changes to implement enduring offtake reform.	6.3	MH
08.06.09	<u>Effective from 1 June 2009</u>  Modification to Annex A of C8E to ensure new NTS exit points are included and existing NTS exit points are described correctly	6.4	MH
30.06.09	<u>Effective from 1 July 2009</u>	6.5	MH

Date Change Made	Detail/Date Effective From	Version	Agreed by
	Modifications to Special Condition C8D and C8E following consultation on revenue drivers for entry and exit points at Canonbie and Gilwern		
Directed 30.06.09	<u>Effective from 16 July 2009</u>  Modification of Special Condition C8E, Annex A, Table 2 – NTS baseline exit flat capacity	6.6	MH
Directed 18.09.09	<u>Effective from 18 September 2009</u>  Modification to Special Condition C8E, Annex A, Table 2 following consultation on aggregating baselines at Didcot, Stallingborough and Staythorpe	6.7	MH
Directed 23.10.09	<u>Effective from 23 October 2009</u>  Modification to paras 9 and 10 in Special Condition C8D to clarify the entry capacity substitution objectives and provide Ofgem with an additional month to consider the entry capacity substitution methodology statement if it decides to conduct an impact assessment.	6.8	MH
Directed 05.01.10  Effective from 01.01.10	<u>Effective from 1 January 2010</u>  Modification to para 3 of Special Condition C8D in respect of entry capacity buy back incentive.	6.9	MH
Directed 17.02.10    Directed 22.02.10	<u>Effective from 18 February 2010</u>  Modification to Special Condition C3 to clarify the ability of Ofgem to suspend application of prices specified in C3 and to remove reference to Dynevor Arms  <u>Effective retrospectively from 1 April 2009</u> Modification to Special Condition C8F to amend the shrinkage compressor usage volume target, the 09/10 environmental incentive volume target and a minor drafting error in the unaccounted for gas incentive	7.0	MH
Directed 19.03.10	<u>Effective from 1 April 2010</u>  Modification of Special Condition C8B to amend the value of the prescribed rates in para 3(b)(i) (NDRP <sub>t</sub> ).	7.1	MH
Directed 30.03.10	<u>Effective from 1 April 2010</u>	7.2	MH

Date Change Made	Detail/Date Effective From	Version	Agreed by
	Modification of Special Condition C8F and addition of new Special Condition C27- Balancing Arrangements following consultation on SO incentives		
Directed 27.04.10	<u>Effective from 27 April 2010</u>  Modification of Special Condition C8E para (1)(d)(iii) to enable NTS to recover additional revenue for incremental exit capacity it makes available at the exit points Barking (Horndon) and Coryton 2(Thames Haven) Power Station	7.3	MH
Directed 01.06.10	<u>Effective from 1 June 2010</u> Modification of Special Condition C8E to change the names of several offtake points to the names by which they have commonly become known and to ensure capacity can be applied for at an additional point.	7.4	MH
Directed 18.06.10	<u>Effective retrospectively from 1 April 2009</u> Modification of Special Condition C8G to ensure the current cost licence terms for operating margins, shrinkage and residual balancing are used in calculating the SO internal opex cost incentive.	7.5	MH
Directed 30.06.10	<u>Effective from 30 June 2010</u> Modification of Special Condition C15 to change the timing of submission of the Incremental Entry Capacity Release (IECR) methodology statement.	7.6	MH
Directed 05.07.10	<u>Effective from 31 December 2010</u> Modification of Standard Conditions 4BA and C7, Standard Special Conditions A5, A11 and A12 following Code Governance Review.  <b><i>(Note that the old conditions will remain in the licence along with the new conditions until 31.12.10)</i></b>	7.7	MH
Directed 20.12.10  Directed 10.12.10	<u>Effective from 20.12.10</u> Modification of Special Condition C8E (paras 4(b)(i) and 4(c)(i) to provide Ofgem with an additional month to consider the exit capacity substitution methodology and Exit Capacity revision methodology statements if it decides to conduct an impact assessment. <u>Effective from 10.12.10</u> Modification of Special Conditions C8A and C8C to include the term “relevant system operating costs” and to rectify drafting to ensure the IAE mechanism functions in the manner intended at the time of the last price control settlement	7.8	MH
	As referenced in the change control for version 7.7, removal of the old Standard Conditions 4BA and C7,	7.9	MH

Date Change Made	Detail/Date Effective From	Version	Agreed by
	Standard Special Conditions A5, A11 and A12 following Code Governance Review (31.12.10).		
Directed 21.01.11	<u>Effective from 21.01.11</u> Modification to Special Condition C8D para 9 9(c)(iv) to ensure that interruptible reverse flow products can be offered at Moffat.	8.0	MH
Directed 30.03.11	<u>Effective from 01.04.11</u> Modification of Special Condition C8F and C8G addition of new Special Condition C28 following the consultation on SO incentives.	8.1	MH
Directed 07.04.11	<u>Effective from 01.05.11</u> Modification of Special Condition C3 following the consultation on LNG price control.	8.2	MH
Directed 20.06.11	<u>Effective from 20.06.11</u> Modification of Special Condition C8E (paras 1 (d)(i) and (iii) and annex A, tables 1 and 2). The modification adds new project revenue drivers for the NTS exit points at Pembroke Power Station and Tonna (Baglan Bay), amends project descriptions for Marchwood and Pembroke (Phase 1), includes five new exit points, a minor change to the project name for revenue driver known as Pembroke Power station, removal of Abernedd power station from the licence.	8.3	MH
Directed 21.09.11 Effective from 6.09.11	Modification of Special condition C8B to provide a method of funding security for critical national infrastructure	8.4	MH
Directed 26.10.11 Effective 25.10.11  Published 09.11.11	<u>Effective 25.10.11</u> Modification to Annex A Special Condition C8E to include new exit point Hill Top Farm (Hole House Farm)  <u>Effective From 10.11.11</u> Modification of Standard Conditions 1 and 4B and addition of new Standard Conditions 4F Access to the System and 40A (Notification of Vertical Integration) as a result of Third Package licence changes implemented through Statutory Instrument No. 2704 – The Electricity and Gas (Internal Markets) Regulations 2011	8.5	MH
Laid before parliament 24.11.11 Effective from 16.12.11	<u>Effective from 16 December 2011</u> Modification of Standard Special Conditions, A3, A5, A11, A26, A30, A33, A34, A35 and A36. Addition of new Standard Special Conditions B3 Cross Border Capacity, B4 Notification of changes that may affect eligibility for certification and B5 Regional Co-operation. Omission of Standard Special Conditions A1, A2, B1 and B2.	8.6	MH
	<u>Effective from 1 April 2012</u>	8.7	MH

Date Change Made	Detail/Date Effective From	Version	Agreed by
<p>Directed 01.02.12</p> <p>Directed 03.02.12</p> <p>Directed 06.02.12</p>	<p>Modification of Special Condition C8F and addition of new Special Condition C29 – (Requirement to undertake UAG projects to investigate the causes of unaccounted for Gas (UAG)) following consultation on SO incentives</p> <p><u>Effective from 1 April 2012</u> Modification of Special Conditions C8A, C8B, C8C, C8D, C8E and C8G to implement the Price Control (TPCR4) Rollover.</p> <p><u>Effective from 1 April 2012</u> Modification of Special Condition C26 to implement the glenmavis LNG Storage Facility and supply to the Scottish Independent Undertakings</p>		
<p>Directed 30.05.12</p>	<p><u>Effective 26 July 2012</u> Modification of Special Condition C8E to add new revenue drivers for Combined Cycle Gas Turbine (CCGT) projects in the south east quadrant and storage sites connecting to the Bacton terminal</p>	8.8	MH
<p>Directed 28.06.11</p>	<p><u>Effective from 28 August 2012</u> Modification of Standard Special Condition A10 (Provision and Return of Meters) to move the role of approving gas meter asset managers from Ofgem to under the terms of the Supply Point Administration Agreement.</p>	8.9	MH
<p>Laid before parliament 13.12.13</p> <p>Directed 6.02.13</p> <p>Directed 1.02.13</p>	<p><u>DECC modification effective from 4 March 2013</u> Addition of two new Standard Conditions</p> <ul style="list-style-type: none"> <li>• Standard Condition 15- Smart Metering Matters relating to obtaining and using consumption data</li> <li>• Standard Condition 26 – Smart Metering Systems and Provision of Information to the Secretary of State</li> </ul> <p><u>Effective from 3 April 2013</u> Modification to Standard Condition 3 – Payments by Licensee to the Authority to update references</p> <p><u>Effective from 1 April 2013</u> Modification to the following standard conditions to implement <b>RIIO GT1 Price Control:</b></p> <ul style="list-style-type: none"> <li>▪ Condition 1 – Definitions and Interpretation</li> <li>▪ Condition 2 – Application of Section C (Transportation Services Obligations)</li> <li>▪ Condition 28 – Termination of Shipping Arrangements</li> </ul> <p>The following condition has been removed and replaced with the text “not used”</p> <ul style="list-style-type: none"> <li>▪ Condition 13 – Change Co-ordination for the Utilities Act 2000</li> </ul>	9.0	MH

Date Change Made	Detail/Date Effective From	Version	Agreed by
Directed 01.02.13	<p><u>Effective from 1 April 2013</u> Modification to implement changes to <b>ringfencing licence conditions</b> as follows:</p> <p>Modification of Standard Condition:</p> <ul style="list-style-type: none"> <li>▪ 45 – Undertaking from Ultimate Controller</li> </ul> <p>Modification of Standard Special Conditions:</p> <ul style="list-style-type: none"> <li>▪ A27 – Disposal of Assets</li> <li>▪ A37 – Availability of Resources</li> <li>▪ A38 – Credit Rating of the Licensee</li> <li>▪ A39 - Indebtedness</li> </ul> <p>Addition of new Standard Special Condition:</p> <ul style="list-style-type: none"> <li>▪ A42 - Requirement for Sufficiently Independent Directors.</li> </ul> <p>Modification of Special Condition:</p> <ul style="list-style-type: none"> <li>▪ C1 – Amendments to Standard Special Conditions relating to LNG</li> </ul>		
Directed 01.02.13	<p><u>Effective from 1 April 2013</u> Modification of <b>Standard Special Conditions to implement the RIIO T1 Price Control</b></p> <p>Modification of the following standard special conditions:</p> <ul style="list-style-type: none"> <li>• A3: Definitions and Interpretation</li> <li>• A8 Emergency Services and Enquiry Service Obligations</li> <li>• A30: Regulatory Accounts</li> <li>• A35: Prohibition of Cross Subsidies</li> <li>• A36: Restriction on Activity and financial Ringfencing</li> <li>• A40 Price Control Review information.</li> </ul> <p>The following conditions have been removed and replaced with the words “not used”</p> <ul style="list-style-type: none"> <li>• A10 Provision and Return of Meters</li> <li>• A29 Change of Financial Year</li> <li>• A32 Definition of Permitted Purpose</li> <li>• A43 Provision of Metering and Meter Reading Services</li> <li>• A46 Non discrimination in the provision of metering activities</li> </ul>		

Date Change Made	Detail/Date Effective From	Version	Agreed by												
Directed 31.01.13	<p>The following <b>new</b> standard special condition has been added:</p> <ul style="list-style-type: none"> <li>▪ A55 – Data Assurance Requirements</li> </ul> <p><u>Effective from 1 April 2013</u> Modification of Special conditions to implement the <b>Gas SO incentive schemes</b> as follows:</p> <p>Amendment and renumbering of the following conditions:</p> <table border="1" data-bbox="352 629 871 869"> <thead> <tr> <th>Old Condition number</th> <th>New Condition number</th> </tr> </thead> <tbody> <tr> <td>Sp C C8F</td> <td>Sp C 3D</td> </tr> <tr> <td>Sp C C5</td> <td>Sp C 8A</td> </tr> <tr> <td>Sp C C25</td> <td>Sp C 8C</td> </tr> <tr> <td>Sp C C28</td> <td>Sp C 8D</td> </tr> <tr> <td>Sp C C29</td> <td>Sp C 8E</td> </tr> </tbody> </table> <p>Addition of the following <b>new</b> Special Conditions</p> <ul style="list-style-type: none"> <li>▪ 3E – Uncertain event affecting Special Condition 3B (Entry and Exit Capacity Constraint Management) and Special Condition 3D (NTS System Operator external Incentives, costs and revenues).</li> <li>▪ Special Condition 8F – Provision of information</li> <li>▪ Special Condition 8G – Maintenance and Operational Planning</li> <li>▪ Special Condition 8H – Greenhouse Gas Emissions Auditing Requirement.</li> </ul> <p>Deletion of the following condition:</p> <ul style="list-style-type: none"> <li>▪ Special Condition C16 – NTS Performance Reporting is deleted as content has moved to RIGs</li> </ul> <p>Renumbering of the following condition:</p> <ul style="list-style-type: none"> <li>▪ Special Condition C6 Independent Market for Balancing is renumbered to Special Condition 8B</li> </ul> <p><u>Effective from 1 April 2013</u></p> <p>Modification of Special Conditions to implement the <b>RIIO T1 Price Control</b></p> <p>Amendment and renumbering of the following conditions:</p>	Old Condition number	New Condition number	Sp C C8F	Sp C 3D	Sp C C5	Sp C 8A	Sp C C25	Sp C 8C	Sp C C28	Sp C 8D	Sp C C29	Sp C 8E		
Old Condition number	New Condition number														
Sp C C8F	Sp C 3D														
Sp C C5	Sp C 8A														
Sp C C25	Sp C 8C														
Sp C C28	Sp C 8D														
Sp C C29	Sp C 8E														

Date Change Made	Detail/Date Effective From		Version	Agreed by
Directed 1.02.13	<b>Old Condition</b> Sp C C1 Sp C C8A Sp C C8B Sp C C8C Sp C C8D Sp C 8E Sp C C9 Sp C C10 Sp C C11 Sp C C13 Sp C C21 Sp C C24 Sp C C26	<b>New Condition</b> Sp C 1B Sp C 1A Sp C 2A Sp C 3A Sp C 5F Sp C 5G Sp C 11B Sp C 11C Sp C 7B Sp C 7D Sp C 10 C Sp C 7C Sp C 11F		
<p>Addition of the following <b>new</b> Special Conditions:</p> <ul style="list-style-type: none"> <li>▪ 2B – Calculation of allowed pass-through items</li> <li>▪ 2C – Stakeholder Satisfaction Output</li> <li>▪ 2D – Permit arrangements to manage the time of delivery of incremental capacity</li> <li>▪ 2E; The Network Innovation Allowance</li> <li>▪ 2F – The Network Innovation Competition</li> <li>▪ 3B – Entry and Exit Capacity Constraint Management</li> <li>▪ 3C – NTS Transportation Support Services</li> <li>▪ 4A- Governance of GT1 Price Control Financial Instruments</li> <li>▪ 4B – Annual Iteration Process for the GT1 Price Control Financial Model</li> <li>▪ 5A – Legacy price control adjustments – NTS Transportation Owner</li> <li>▪ 5B Determination of PCFM Variable values for Totex incentive mechanism adjustments – NTS TO Owner</li> <li>▪ 5C – Specified Financial adjustments – NTS Transportation Owner</li> <li>▪ 5D The Innovation Roll-out Mechanism</li> <li>▪ 5E – Arrangements for the recovery of uncertain costs</li> <li>▪ 6A – Legacy price control adjustments – NTS SO</li> <li>▪ 6B – Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – NTS System Operator</li> <li>▪ 6C – Specified Financial Adjustments – NTS SO</li> <li>▪ 6D – Arrangements for the recovery of uncertain costs</li> <li>▪ 7E – Specification of Network Replacement Outputs</li> <li>▪ 9 A Entry Capacity and Exit Capacity obligations and methodology statements</li> </ul>				

Date Change Made	Detail/Date Effective From	Version	Agreed by
	<ul style="list-style-type: none"> <li>▪ 9B Methodology to determine the release of Entry Capacity and Exit Capacity Volumes</li> <li>▪ 9C – Methodology to determine revenue drivers</li> <li>▪ 11A – Disapplication of relevant special conditions</li> </ul> <p>The following Special Conditions have been removed:</p> <ul style="list-style-type: none"> <li>▪ C1B – Amendments to Standard Special Condition A40</li> <li>▪ C8G – NTS System Operator Internal Incentives Costs and Revenues</li> <li>▪ C12 – Restriction of prices in respect of tariff capped metering activities</li> <li>▪ C14 Information to be provided to the authority in connection with the transportation system revenue restriction in respect of the NTS transportation owner activity and NTS system operation activity</li> <li>▪ C14B – Price control revenue reporting and associated information</li> <li>▪ C15 – licensee’s methodology for determining incremental entry capacity volumes</li> <li>▪ C17 – Exit code statement</li> <li>▪ C18 Licensee’s methodology for determining the release of NTS exit capacity volumes</li> <li>▪ C27 – Balancing Arrangements</li> </ul>		

Date Change Made	Detail/Date Effective From	Version	Agreed by
Directed 4..03.13	<p><u>Effective from 1 May 2013</u> Modification to Special Condition 11E to continue with the restriction of the minimum prices for regulated services from the Avonmouth LNG Storage facility; and to remove references to the Partington LNG Storage Facility</p>	9.1	MH
Directed 21.05.2013  Effective from 07.06.2013	Modification of Standard Special Condition 11D as a result of DECC Consultation regarding the shortfall cost recovery mechanism	9.2	EJG
Effective From 14.07.13  Directed 03.06.2013	<p><b>Effective From 14.07.13</b> Modification to incorporate accession to and compliance with the Smart Energy Code</p> <p><b>Effective form 30.07.2013</b> Modifications to the following special conditions of the gas transporter licence to add a new exit point and clarify certain changes made at the gas RIIO-T1 price control and the System Operator external incentives</p> <ul style="list-style-type: none"> <li>• 1A – Definitions</li> <li>• 1B – Amendments to Standard Special Conditions relating to LNG</li> <li>• 2A – Restriction of NTS Transportation Owner Revenue</li> <li>• 2C – Stakeholder Satisfaction Output</li> <li>• 2D – Permit Arrangements for the Provision of incremental Capacity</li> <li>• 2F – The Network Innovation Competition</li> <li>• 3A – Restriction of NTS System Operation Revenue</li> <li>• 3B – Entry Capacity and Exit capacity Constraint Management</li> <li>• 3C – NTS Transportation Support Services</li> <li>• 3D - NTS System Operator external incentives, costs and revenues</li> <li>• 3E - Uncertain Event affecting Special Condition 3B (Entry and Exit Capacity Constraint Management) and Special Condition 3D (NTS System Operator external incentives, costs and revenues)</li> <li>• 4A – Governance of GT1 Price Control Financial Instruments</li> <li>• 4B – Annual IterationProcess for the GT1 Price Control Financial Model</li> <li>• 5A – Legacy Price Control Adjustments – NTS Transportation Owner</li> </ul>	9.3	EJG

Date Change Made	Detail/Date Effective From	Version	Agreed by
Directed 07.06.13	<ul style="list-style-type: none"> <li>• 5C – Specified Financial Adjustments - NTS Transportation Owner</li> <li>• 5D – The Innovation Rollout Mechanism</li> <li>• 5E – Arrangements for the recovery of uncertain costs</li> <li>• 5G - Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply</li> <li>• 6A - Legacy price control adjustments – NTS System Operator</li> <li>• 6B - Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – NTS System Operator</li> <li>• 7E - Specification of Network Replacement Outputs</li> <li>• 8B - Independent market for balancing</li> <li>• 11A - Disapplication of Relevant Special Conditions</li> <li>• 11C - Services treated as Excluded Services</li> <li>• 11F - Gas conveyed to Independent Systems</li> </ul> <p><b><u>Effective From 5 August 2013</u></b> Modification of Special Condition A11 to implement the code governance review</p>		
Directed 29.09.2013	<p><b>Effective from 27.11.2013</b> Modification to several standard special conditions to update references and to make a number of drafting corrections. (A3, A30, A33, A35, A36, A37, A40, A55)</p>	9.4	EJG
Directed 22.10.2013	<p><b>Effective from 17.12.2013</b> Modification to standard special condition A11 as a result of third package and general housekeeping</p>		
13.02.2014	Amendment made to numbering of SSC A4 to correct the numberings in para A4a and A4b		EJG
Directed on 24.02.2014	<p><b>Effective from 22 April 2014</b> Modification to Standard Conditions 1 and 3 and Standard</p>	9.5	EJG

Date Change Made	Detail/Date Effective From	Version	Agreed by
	Special Conditions A3, A9, A11 and A30, to update references from National Consumer Council to Citizens Advice and Citizens Advice Scotland.		
Directed on 28.04.14	<p><b>Effective from 1 July 2014</b></p> <p>Modification of Special condition 2D and Special Condition 3A to enable the licensee to continue to manage incremental capacity requests efficiently while new incremental capacity arrangements are developed; to allow existing capacity arrangements to continue, consistent with RIIO T1 final proposals; to maintain existing lead times; and ensure consumers are not potentially exposed to significant incremental buy back costs under the constraint management incentive.</p>	9.6	MH
Directed on 25.07.2014	<p><b>Effective from 22 September 2014</b></p> <p>Modification of Special condition 11F to allow Scotia Gas Networks to recover efficient costs in relation to supplying gas to the Statutory Independent Undertakings (SIUs).</p>	9.7	EJG
Directed on 23.09.2014	<p><b>Effective from 19 November 2014</b></p> <p>Insertion of New Special Condition 8I resulting from Gas Security of Supply Significant Code Review</p>		EJG
Directed on 08.12.2014	<p><b>Effective from 31.01.2015</b></p> <p>Modification of Special Licence Conditions 1A, 2A, 5F, 5G and 11C of National Grid Gas Transporter's Licence to implement Planning and Advanced Reservation of Capacity Agreements</p>	9.8	EJG
Directed on 17.12.2015	<p><b>Effective from 12.02.2015</b></p> <p>Modification to Special Condition 5G in order to add 3 new National Transmission System exit points and apply housekeeping amendments to existing exit points</p>	9.9	EJG
Directed on 14.01.2015	<p><b>Effective from 12.03.2015</b></p> <p>Insertion of new SC 11 (Agency) in order to improve efficiency and standards of service in the provision of supply point administration arrangements such as the customer switching process, which underpin the competitive gas market.</p>	10.0	EJG



Date Change Made	Detail/Date Effective From	Version	Agreed by
Directed on 04.02.2016	<p><b>Effective from 01.04.2016</b></p> <p>Modification to Standard Special Condition A50 (“System Development Obligations”) to remove the reference to SLC 12 of the Gas Suppliers’ licences.</p>	10.7	EJG
<p>Directed on 14.06.2016</p> <p>Directed on 17.06.2016</p>	<p><b>Effective from 10.08.2016</b></p> <p>Code Governance Review (Phase 3) Final Proposals – statutory consultation on licence modifications to standard special condition A11 (UNC)</p> <p><b>Effective from 15.08.2016</b></p> <p>Modification to SC 5G to add three new exit points: “Palm Paper”, “Kinneil CHP” and “St Fergus Segal”.</p>	10.8	EJG
Directed on 16.07.2016	<p><b>Effective from 01.09.2016</b></p> <p>Modifications made to include dormant BMPOLR obligations by inserting additional Standard Special Conditions B6, B7, B8, B9, B10, B11 and B12, and Special Conditions (SC) 11G and 11H</p>	10.9	EJG
Directed on 30.09.2016	<p><b>Effective from 01.10.2016</b></p> <p>Note that the modifications noted below have been made as a result of National Grid Gas plc transferring its gas distribution gas transporter licence to National Grid Gas Distribution Limited (NGGDL) from 01/10/16. The date of the direction is expected on 29/09/16, so the effective date will be 56 days post this date but NGG plc will operate to these licence conditions from 01.10.16.</p> <p>Modifications under section 23 of the Act to the gas transporter licence held by NGG in respect of the national transmission system (NGG(NTS)).</p> <p>Amending Special Conditions;</p> <p>--2B (Calculation of allowed pass-through items) to ensure that it only applies to business rates applicable to the transmission business,</p> <p>--10A (Undertaking from ultimate controller concerning non-discrimination between the NTS Transportation Owner Activity and the Distribution Network Transportation Activity), 10B (Separation of NTS and Distribution Network Businesses), and 10C (Appointment and duties of the business separation compliance officer to ensure the compliance officer and legal separation provisions of the</p>	11.0	EJG

Date Change Made	Detail/Date Effective From	Version	Agreed by
Directed on 30.09.2016	<p>licence apply to activities not solely within the same legal entity, but also between related entities)</p> <p><b>Effective from 01.10.2016</b> Modification, pursuant to Standard Special Condition B6 and Special Conditions 11G to activate the currently dormant back stop meter provider of last resort (BMPOLR) obligations</p>		
Directed on 23.11.2016	<p><b>Effective from 18.01.2017</b></p> <p>Modifications to Part D of special condition 2C (Stakeholder Satisfaction Output) of the Licence</p>	11.1	EJG
Directed on 16.12.2016	<p><b>Effective from 11.02.2017</b></p> <p>Modification to change SSC A15 (Agency) in order to implement the options developed by Ofgem in consultation with industry, as a result of our review of Xoserve's finance, governance and ownership (FGO) arrangements. And also to introduce a new SSC A15A (Central Data Service Provider). These modifications have also resulted in consequential changes to other parts of the licence.</p> <p><b>The following existing conditions will apply until 31 March 2017. Changes (highlighted in yellow in the licence) will come into effect on 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A).</b></p> <ul style="list-style-type: none"> <li>• SSC A15 (Agency)</li> <li>• SSC A12 (Joint Office Governance Arrangements)</li> <li>• SSC A14 (Availability of Data Formats)</li> <li>• SSC A31 (Supply Point Information Service)</li> <li>• SSC A48 (Last Resort Supply: Payment Claims)</li> <li>• Special conditions applicable to the Licensee (DN): Part E; Special Condition 1A (Definitions) and Special Condition 4C (Services treated as Excluded Services)</li> <li>• Special conditions applicable to Licensee (NTS); Special Condition 1A (Definitions) and Special Condition 11C (Services treated as Excluded Services).</li> </ul>	11.2	EJG

<b>Date Change Made</b>	<b>Detail/Date Effective From</b>	<b>Version</b>	<b>Agreed by</b>
Directed on 13.01.2017	<b>Effective from 11.03.2017</b> Modification to the Funding Return Mechanism (FRM) set out in the Network Innovation Competition (NIC) and Low Carbon Networks Fund (LCNF) licence conditions - (SC 2F and SC 1A)	11.3	EJG
Directed on 30.06.2017	<b>Effective from 25.08.2017</b> Modifications made to insert Standard Special Condition A28 (Gas Network Innovation Strategy), to implement the policy decision made on 31 March 2017 to require network operators regulated through the Revenue=Incentives + Innovation + Outputs (RIIO) price control framework to collaborate on the development of a Gas Network Innovation Strategy.	11.4	EJG
Directed on 18.07.2017	<b>Effective from 01.09.2017</b> Modification to Special Condition 2E (The Network Innovation Allowance), to implement the policy decision of 31 March 2017, that licensees should not be able to recover the cost of preparing submissions in respect of projects which passed the Network Innovation Competition initial screening process in 2018/19 and thereafter, in order to reduce to zero the amount licensees can recover as Bid Preparation Costs in 2018/19 and thereafter	11.5	EJG
Directed on 12.09.2017	<b>Effective from 07.11.2017</b> Modifications to amend the existing definitions related to Planning and Advanced Reserved Capacity Agreement Process (PARCA) contained in Special Condition 1A and Special Condition 11C	11.6	EJG
Directed on 04.10.2017	<b>Effective from 29.11.2017</b> Modification to amend Special Condition 5F.29 Table 6, to reduce the amount of Legacy TO Entry Capacity to be released at the Fleetwood NTS entry point from 650 GWh/day to 350 GWh/day from December 2017	11.7	EJG
Directed on 08.03.2018	<b>Effective from 04.05.2018</b> Modification to implement aspects of Regulation (EU) 2017/460, the European Network Code on harmonised transmission tariff structures for gas (TAR NC) (SSC A5)	11.8	EJG

<b>Date Change Made</b>	<b>Detail/Date Effective From</b>	<b>Version</b>	<b>Agreed by</b>
Directed on 27.03.2018	<p><b>Effective from 22.05.2018</b></p> <p>Modifications to Special Condition 3D and Special Condition 8K, to extend and amend three gas System Operator Incentives: the D-2 to D-5 Demand Forecast, Maintenance, and Greenhouse Gas Emissions incentives</p>	11.9	EJG
Directed on 30.08.2018	<p><b>Effective from 26.10.2018</b></p> <p>Modification to Special Conditions 1A, 2A and 5E and the GT1 Price Control Financial Instruments as defined under the Special Conditions, for Fleetwood and PARCA</p>	12.0	PB
<p>Directed on 30.11.2018</p> <p>Directed on 12.12.2018</p>	<p><b>Effective from 01.02.2019</b></p> <p>Modification to Standard Condition 14, to place a duty on the gas transmission licensees, to cooperate with the Authority or any person(s) appointed by the Authority, as may be required to give full effect to the conclusions of a Significant Code Review.</p> <p><b>Effective from 07.02.2019</b></p> <p>Modifications to Special Conditions 5G and 5F, to add two new NTS Exit points and one new NTS Entry point</p>	12.1	EJG
Directed on 14.10.2019	<p><b>Effective from 10.12.2019</b></p> <p>Modifications to Special Conditions 1A, 5F and 5G, following the conclusion of the Customer Low Cost Connections (CLoCC) project, which aims to simplify the process and reduce the timescale for small new entry and exit connections</p>	12.2	EJG
Directed on 18.12.2019	<p><b>Effective on 13.02.2020</b></p> <p>Modifications to the Special Conditions and Standard Special Conditions relating to the regulation of traditional gas meters and metering services provided by NGG (Standard Special Conditions B7 and B8 and Special Condition 11C), which will be replaced over time by smart meters.</p>	12.3	EJG

Date Change Made	Detail/Date Effective From	Version	Agreed by
Directed on 04.02.2020	<p><b>Effective from 01.04.2020</b></p> <p>Modifications to Special Condition 8I, to amend all references in the licence to 'Gas Deficit Warning' (GDW) with 'Gas Balancing Notification' (GBN), to align the licence with the Uniform Network Code (UNC)</p>	12.4	EJG
<p>Directed on 15.07.2020</p> <p>Directed on 17.07.2020</p>	<p><b>Effective from 10.09.2020</b></p> <p>Modification to the contents of 'Table 1: Network Replacement Outputs' in Special Condition 7E (Specification of Networks Replacement)</p> <p><b>Effective from 12.09.2020</b></p> <p>Modification to Part F of Special Condition 5G (Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply and the creation of Zero Licence Baseline Capacity Exit Points), to add "Saltholme Power Station" as a new NTS exit point</p>	12.5	EJG
Directed on 03.02.2021	<p><b>Effective from 01.04.2021</b></p> <p>Modifications to implement the RIIO GT2 Price Control:</p> <p>Removing all existing Special Conditions</p> <p>Inserting new Special Conditions in Chapters 1 to 9:</p> <ul style="list-style-type: none"> <li>• Chapter 1 (1.1-1.2)</li> <li>• Chapter 2 (2.1 -2.5)</li> <li>• Chapter 3 (3.1-3.18)</li> <li>• Chapter 4 (4.1 -4.3)</li> <li>• Chapter 5 (5.1- 5.6)</li> <li>• Chapter 6 (6.1-6.3)</li> <li>• Chapter 7 (7.1-7.17)</li> <li>• Chapter 8 (8.1-8.2)</li> <li>• Chapter 9 (9.1-9.22)</li> </ul> <p>Amending the following Standard Special Conditions:</p> <ul style="list-style-type: none"> <li>• A3 Definitions and Interpretation</li> <li>• A8 Emergency Services and Enquiry Service Obligation</li> <li>• A14 Availability of Data Formats</li> <li>• A15 Central Data Services Provider (previously SSC A15A)</li> <li>• A28 Gas Network Innovation Strategy</li> <li>• A31 Supply Point Information Service</li> </ul>	12.6	EJG

Date Change Made	Detail/Date Effective From	Version	Agreed by
	<ul style="list-style-type: none"> <li>• A36 Restriction on Activity and Financial Ring Fencing</li> <li>• A37 Availability of Resources</li> <li>• A38 Credit Rating of the Licensee and related obligations</li> <li>• A39 Indebtedness</li> <li>• A40 Regulatory Instructions and Guidance (RIGS)</li> <li>• A48 Last Resort Supply: Payment Claims</li> <li>• A55 Data Assurance Requirements</li> </ul> <p>Inserting the following new Standard Special Conditions:</p> <ul style="list-style-type: none"> <li>• A56 Housekeeping Licence Modifications</li> <li>• A57 Exit Capacity Planning</li> </ul> <p>Removing the following Standard Special Conditions:</p> <ul style="list-style-type: none"> <li>• A15 (Agency)</li> <li>• A49 Designated Registrar of Pipes</li> <li>• A51 Information to be Provided to a Designated Registrar of Pipes</li> </ul> <p><i>(it is recognised that the drafting directed on 3 February 2021 contains a number of errors. Ofgem has committed to addressing these errors and bringing forward modifications in due course. Until these modifications are made the conformed licence therefore contains these errors)</i></p>		
Directed on 11.02.2021	<p><b>Effective from 08.04.2021</b></p> <p>Modifications made to reflect amendments to UK law as a consequence of the end of the Brexit transition period</p>	12.7	EJG
Directed on 28.05.2021	<p><b>Effective from 24.07.2021</b></p> <p>Modifications to address minor snagging issues, such as typographical errors, that have been raised by licensees and Ofgem since the RIIO2 licence modifications were made on 3 February 2021. The effect of these is to tidy and improve the clarity and enable the licence conditions and the formulas within them to function as Intended</p>	12.8	EJG
<p>Directed on 02.07.2021</p> <p>Directed on 08.07.2021</p>	<p><b>Effective from 01.09.2021</b></p> <p>Modifications made to Standard Licence Conditions and Standard Special Conditions, as a result of the Retail Code Consolidation Significant Code Review (SCR)</p> <p><b>Effective from 03.09.2021</b></p> <p>Modifications have been made to establish the Strategic Innovation Fund ("SIF") in accordance with the decision set out in Ofgem's RIIO-2 Final Determinations</p>	12.9	EJG

Date Change Made	Detail/Date Effective From	Version	Agreed by
Directed on 28.07.2021	<p><b>Effective from 23.09.2021</b></p> <p>Modifications have been made to Part B of Special Condition 2.1 (Transportation owner revenue restriction (ARt)), and Part B of Special Condition 2.3 (System operator revenue restriction (SOARt)), to reallocate these revenues from System Operator ("SO") to Transmission Owner ("TO").</p>	13.0	EJG
Directed on 05.08.2021	<p><b>Effective from 30.09.2021</b></p> <p>Modification to Part A of Special Condition 7.14 (Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue (LCMIRt)).</p>	13.1	EJG
Directed on 08.12.2021	<p><b>Effective from 08.12.2021 and modifications apply with effect from 1.04.2021</b></p> <p>Modification to Part C of Special Condition 5.5 (Entry Capacity and Exit Capacity Constraint Management (CMt)), to remove revenue associated with the sale of on-the-day obligated and interruptible/off-peak capacities from the CCM incentive, and introduce a 14% scaling for the revenues from non-obligated capacity sales</p>	13.2	EJG
	<p>Modifications to SC 2.5.7 and 2.5.8, directed by the Competition and Markets Authority(CMA) in its order dated 28 October 2021, to remove the outperformance wedge as a result of the appeals on this ground being upheld by the CMA. Effective 4 November 2021.</p>		EJG
Directed on 15.10.2021	<p><b>Effective from 12.12.2021</b></p> <p>Modification to replace the current "Bacton (IUK) and Bacton (BBL)" entries with a single, new exit point, "Bacton (exit) IP" to Appendix 2: Licence Baseline Exit Capacity, in Part E of Special Condition 9.13</p>	13.3	EJG
Directed on 28.01.2022	<p><b>Effective from 25.03.2022</b></p> <p>Modifications to Standard Special Condition A48, to allow further flexibility in the timings for the process for making a last resort supply payment claim, by changing the deadline for a claim presented to GDNs</p>	13.4	EJG

Date Change Made	Detail/Date Effective From	Version	Agreed by
Directed on 03.02.2022	<p><b>Effective from 01.04.2022</b></p> <p>Modifications which implement the CMAs Order on RIIO 2 Appeals and to resolve a number of other drafting issues.</p> <p>Various modifications made to;</p> <ul style="list-style-type: none"> <li>a. Amending the existing Special Conditions, including the Price Control Financial Handbook;</li> <li>b. Amending the existing SSCs; and</li> <li>c. Issuing the NARM Handbook and Network Asset Risk Workbook, which form part of Special Condition 3.1 (Baseline Network Risk Output).</li> </ul> <p>Modifications also made to the following Standard Conditions;</p> <ul style="list-style-type: none"> <li>a. Standard Condition 1: Definitions and Interpretation</li> <li>b. Standard Condition 3: Payments by Licensee to the Authority</li> <li>c. Standard Condition 9: Network Code and Uniform Network Code</li> <li>d. Standard Condition 16: Pipe-Line System Security Standards</li> <li>e. Standard Condition 21: Reporting on Performance</li> </ul>	13.5	EJG
Directed on 06.04.2022	<p><b>Effective from April 2022</b> (inserted 30.06.2022)</p> <p>Modification made, pursuant to Part F (Adjustment for the Distribution Networks' Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZPSt) of Special Condition 6.1 (Transportation owner pass-through items (PTt)) of NGGT's licence, setting out the adjustments to the value of NZPSt</p>		EJG
Directed on 06.05.2022	<p><b>Effective from May 2022</b> (inserted 30.06.2022)</p> <p>Further modifications made, pursuant to Part F (Adjustment for the Distribution Networks' Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZPSt) of Special Condition 6.1 (Transportation owner pass-through items (PTt)) of NGGT's licence, setting out the adjustments to the value of NZPSt</p>		EJG
Directed on 11.03.2022	<p><b>Effective from 07.05.2022</b></p> <p>Modifications made, regarding Last Resort Supply Payment Claims applicable to Standard Special Licence Condition A48: Last Resort Supply: Payment Claims.</p>	13.6	EJG

Date Change Made	Detail/Date Effective From	Version	Agreed by
Directed on 12.05.2022	<p><b>Effective from 18.07.2022</b></p> <p>Modifications made to SSC A31, for the Faster and More Reliable Switching Programme (the Switching Programme), resulting in faster, more reliable switching for consumers.</p>	13.7	EJG
Directed on 01.06.2022	<p><b>Effective from 27.07.2022</b></p> <p>Modifications made to Special Condition 6.1, Part B of Special Condition 1.1, Part B of Special Condition 2.1, Part A of Special Condition 6.1, Special Condition 6.3 and Part B of Special Condition 2.3, following updates to the Price Control Financial Model (PCFM) and the Price Control Financial Handbook (PCFH), as agreed by the Price Control Financial Model working groups.</p>	13.8	EJG
Directed on 14.10.2022	<p><b>Effective from 14.10.2022</b></p> <p>Derogation by Direction issued by the Gas and Electricity Markets Authority pursuant to paragraph 9.22.12 of Special Condition 9.22 Part D, in respect of implementing and maintaining the Demand Side Response Methodology for use after a Gas Balancing Notification.</p>	13.9	EJG
Directed on 31.10.2022	<p><b>Effective from 26.12.2022</b></p> <p>Various modifications made to special conditions in Chapter 7:</p> <ul style="list-style-type: none"> <li>a. To provide a vehicle for the financial effect of closeout of the RIIO-1 price control in the RIIO-2 licence conditions.</li> <li>b. To allow for the calculation of the TRU term within the RIIO-2 PCFM, which means the legacy term can be finalized without extension of complex reporting packs. It also applies the correct amount of WACC and inflation, without needing to true up these values or have them different from the rest of the price control.</li> <li>c. To ensure the disposals values are consistent between the RIIO-GD1 legacy and closeout files and the RIIO-GD2 PCFM, as well as true up disposal values within RIIO-2 rather than waiting for closeout.</li> </ul>	14.0	CC
06.02.2023	The name of the company changed on the front page of licence to National Gas Transmission plc.	14.1	CC

## **PART I TERMS OF THE LICENCE**

1. This licence, treated as granted under section 7 of the Gas Act 1986 (“the Act”) authorises Transco plc (a company registered in England and Wales under number 2006000)(formerly named British Gas plc)(“the licensee”) whose registered office is situated at 130 Jermyn Street, London, SW1Y 4UR, to convey gas through pipes to any premises in the specified area in Schedule 1 and to convey gas through pipes to any pipe-line system operated by another public gas transporter during the period specified in paragraph 3 below, subject to –
  - (a) the standard conditions of gas transporters’ licences referred to in -
    - (i) paragraph 1 of Part II below, which shall have effect in the licence; and
    - (ii) paragraph 2 of Part II below, which shall only have effect in the licence if brought into effect in accordance with standard condition 2, andsubject in each case to such amendments to those conditions, if any, as are set out in Part III below (together “the conditions”);
  - (b) the special conditions, if any, set out in Part IV below (“the special conditions”); and
  - (c) such Schedules, hereto, if any, as may be referenced in the conditions, the special conditions or the terms of the licence.
2. This licence is subject to transfer, modification or amendment in accordance with the provisions of the Act or with its terms, the special conditions or the conditions.
3. This licence, unless revoked in accordance with Schedule 2, shall continue until determined by not less than 10 years’ notice in writing given by the Authority to the licensee, such notice not to be served earlier than 22<sup>nd</sup> August 2011.
4. The provisions of section 46(1) of the Act (service of notices, etc.) shall have effect as if set out herein and as if for the words “this Part or regulations made under this Part”, there were substituted the words “this licence”.
5. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, Parts I to IV inclusive of, and the Schedules to, this licence shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.
6. References in this licence to a provision of any enactment, where after the date of this licence –

- (a) the enactment has been replaced or supplemented by another enactment, and,
- (b) such enactment incorporates a corresponding provision in relation to fundamentally the same subject matter,

shall be construed, so far as the context permits, as including a reference to the corresponding provision of that other enactment.

7. Pursuant to paragraph 5 of standard condition 2 (Application of Section C (Transportation Services Obligations)) of Gas Transporter Licence the “transportation services area” is specified in Schedule 3 hereto.

This licence was amended and restated by a licensing scheme made by the Secretary of State on 28<sup>th</sup> September 2001.

## THE SCHEME

### SCHEME MADE PURSUANT TO PARAGRAPH 19 OF SCHEDULE 7 OF THE UTILITIES ACT 2000 IN RESPECT OF THE GAS TRANSPORTER LICENCE GRANTED TO TRANSCO PLC ON 28 SEPTEMBER 2001 (AS AMENDED)

Pursuant to paragraph 19 of Schedule 7 to the Utilities Act 2000 (“the 2000 Act”), the Secretary of State hereby makes the following Scheme:

## RECITALS

### WHEREAS:

1. Immediately prior to the determination day Transco plc (company registered no. 2006000)(the “Company”) holds a public gas transporter licence under section 7 of the Gas Act 1986 (the “Existing Transporter Licence”).
2. Paragraph 19 of Schedule 7 to the 2000 Act (“Schedule 7”) applies to the Company as the holder of the licence referred to in Recital 1 above.
3. The purpose of this Scheme which is made by the Secretary of State pursuant to paragraph 19 of Schedule 7 is to provide for the Existing Transporter Licence to be amended and as so amended to have effect on and after the determination day as a gas transporter licence on the terms of this Scheme held by the Company (“the Gas Transporter Licence”).

## 1. INTERPRETATION

In this Scheme, unless the context otherwise requires, the following expressions shall bear the meanings ascribed to them below:

- “the Authority” means the Gas and Electricity Markets Authority established pursuant to section 1 of the 2000 Act;
- “determination day” means the date on which the standard conditions of gas transporters’ licences (determined by virtue of section 81(2) of the 2000 Act) take effect.

- 1.2 Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, this Scheme shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.
- 1.3 Words and expressions used in Part I of the Gas Act 1986 (as in force immediately before the determination day), or as the context requires, in Part I of the Gas Act 1986 (as in force from the determination day) shall bear the same meaning in this Scheme.

## **2. NEW STANDARD CONDITIONS**

Each condition of the standard conditions determined and published by the Secretary of State under section 81(2) of the 2000 Act as standard conditions for the purposes of gas transporters' licences under section 7 of the 1986 Act shall on the determination day be incorporated in Part II of the Gas Transporter Licence in substitution for the standard conditions in the Existing Gas Transporter Licence immediately prior to the determination day.

## **3. AMENDMENT AND RESTATEMENT**

On the determination day, the Existing Gas Transporter Licence shall be amended and restated in its entirety as set out in the Annex hereto and shall take effect as a gas transporter licence.

## **4. CONTINUING EFFECT**

- 4.1 Anything done under or by virtue of the Existing Gas Transporter Licence which is in effect immediately prior to the determination day shall have continuing effect in so far as it is permitted by or in pursuance of the new standard conditions (as amended by Part III of the Gas Transporter Licence) or the special conditions of Part IV of the Gas Transporter Licence.

- 4.2 Without prejudice to the generality of sub-clause 4.1 above,

- (a) every statement, code or other document prepared pursuant to an obligation in the Existing Gas Transporter Licence; and
- (b) every direction, consent, determination or other instrument made by the Authority in relation to the Existing Gas Transporter Licence,

which in each case is in effect immediately prior to the determination day shall have continuing effect in so far as it is permitted by or in pursuance of the new standard conditions (as amended by Part III of the Gas Transporter Licence) or the special conditions of Part IV of the Gas Transporter Licence.

On this the 28th day of September 2001

.....

An official of the Department of Trade and Industry authorised to act on behalf of the Secretary of State.

**ANNEX**

**GAS ACT 1986**

**SECTION 7**

**GAS TRANSPORTER LICENCE**

**FOR**

**TRANSCO PLC**

## **PART II THE STANDARD CONDITIONS**

**NOTE: THE CONDITIONS INDICATED HAVE BEEN “SWITCHED OFF” AS PART OF LICENCE RESTRUCTURING TO SUPPORT NETWORK SALES**

### **1. Standard conditions in effect in this licence**

<b>Section A</b>	<b>Section B</b>	<b>Section C</b>
Standard condition 1	Standard condition 4 SWITCHED OFF	Standard condition 32 SWITCHED OFF
Standard condition 2	Standard condition 4A SWITCHED OFF	Standard condition 33 SWITCHED OFF
Standard condition 3	Standard condition 4B	Standard condition 34 Not used
	Standard condition 4C SWITCHED OFF	Standard condition 35 Not used
	Standard condition 4D SWITCHED OFF	Standard condition 36 Not used
	Standard condition 4E SWITCHED OFF	Standard condition 37 Not used
	Standard condition 5 SWITCHED OFF	Standard condition 38 SWITCHED OFF
	Standard condition 5A SWITCHED OFF	Standard condition 39 SWITCHED OFF
	Standard condition 6 SWITCHED OFF	Standard condition 40 SWITCHED OFF
	Standard condition 7	Standrd Condition 40A
	Standard condition 8 SWITCHED OFF	Standard condition 41 SWITCHED OFF
	Standard condition 9 SWITCHED OFF	Standard condition 42 Not used
	Standard condition 10	Standard condition 43 SWITCHED OFF
	Standard condition 11	Standard condition 44

		SWITCHED OFF
	Standard condition 12 Not used	Standard condition 45
	Standard condition 13 Not used	Standard condition 46 SWITCHED OFF
	Standard condition 14	Standard condition 47 SWITCHED OFF
	Standard condition 15	Standard condition 48 SWITCHED OFF
	Standard condition 16 SWITCHED OFF	
	Standard condition 17 SWITCHED OFF	
	Standard condition 18 SWITCHED OFF	
	Standard condition 19 SWITCHED OFF	
	Standard condition 19A SWITCHED OFF	
	Standard condition 19B SWITCHED OFF	
	Standard condition 20	
	Standard condition 21 SWITCHED OFF	
	Standard condition 22 SWITCHED OFF	
	Standard condition 23 SWITCHED OFF	
	Standard condition 24 SWITCHED OFF	
	Standard condition 25 SWITCHED OFF	
	Standard condition 26	

	Standard condition 27	
	Standard condition 28	
	Standard condition 29 SWITCHED OFF	
	Standard condition 30	
	Standard condition 30A	
	Standard condition 31 SWITCHED OFF	

**2. Standard conditions not in effect in this licence**

Not used

Note: A copy of the current standard conditions of gas transporters' licences can be inspected at the principal office of the Authority. The above lists are correct at the date of this licence but may be changed by subsequent amendments or modifications to the licence. The authoritative up-to-date version of this licence is available for public inspection at the principal office of the Authority.

## **PART III AMENDED STANDARD CONDITIONS**

Note – For convenience only, all standard conditions which are in effect in this licence as at the date of this licence have been incorporated into this Part III. For amended Standard Conditions there is substituted text. The additions to the existing standard conditions are shown emboldened and italicised.

### **SECTION A. INTERPRETATION, APPLICATION AND PAYMENTS**

#### **Condition 1. Definitions and Interpretation**

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

“the Act”	means the Gas Act 1986;
“affiliate”	in relation to any person means any holding company of such person, any subsidiary of such person or any subsidiary of a holding company of such person in each case within the meaning of section 1159 of the Companies Act 2006
“amount”	in relation to gas, means the energy content thereof expressed in kilowatt hours;
“appropriate period”	for the purposes of standard condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business) only, has the meaning given in that condition;
“area office”	for the purposes of standard condition 4B (Connection Charges etc) only, has the meaning given in that condition;
“auditors”	means the licensee’s auditors for the time being holding office in accordance with the requirements of the Companies Act 2006;
“the Authority”	means the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000;
“balancing”	in relation to a pipe-line system of the licensee and in relation to each day, means the taking of such measures as may be available to the licensee, in particular, measures

affecting the relationship between deliveries of gas to and offtakes of gas from the pipe-line system on the day in question, to maintain pressures within the pipe-line system at levels which will not, in its reasonable opinion, prejudice the interests of safety or efficiency on that day or on subsequent days;

“charging methodology”	for the purposes of standard condition 4A (Obligations as Regard Charging Methodology) only, has the meaning given in that condition;
“chronically sick person”	means any person who, by reason of chronic sickness, has special needs in connection with gas supplied to him, its use or the use of gas appliances or other gas fittings;
“Citizens Advice”	means the National Association of Citizens Advice Bureaux;
“Citizens Advice Scotland”	means the Scottish Association of Citizens Advice Bureaux;
“code modification rules”	for the purposes of standard condition 9 (Network Code) only, has the meaning given in that condition;
“code relevant objectives”	for the purposes of standard condition 9 (Network Code) only, has the meaning given in that condition;
Consumer Scotland	means the body corporate established by the Consumer Scotland Act 2020;
“competition in relation to the storage of gas”	means, as respects a particular category of storage facility, effective competition in or to the storage service offered by the facility, taking account of the provision by other persons of goods or services of equivalent purpose or effect to such storage (including where appropriate supplies of peak gas and the interruption of supplies to customers in accordance with their terms of supply);
“Compliance Officer”	for the purposes of Section C only, has the meaning given in standard condition 40 (Appointment of Compliance Officer);
“the court”	means, in relation to England and Wales, the High Court and, in relation to Scotland, the Court of Session;

“covenantor”	for the purposes of standard condition 45 (Undertaking from Ultimate Controller) only, has the meaning given in that condition;
“cross-default obligation”	for the purposes of standard condition 47 (Indebtedness) only, has the meaning given in that condition;
“customer”	means any person supplied or requiring to be supplied with gas at any premises by a gas supplier;
“de-minimis business”	for the purposes of standard condition 43 (Restriction on Activity and Financial Ring-fencing) only, has the meaning given in that condition;
“designated area”	for the purposes of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges) only, has the meaning given in that condition;
“Designated Registrar of Pipes”	means the person designated by the Authority to fulfil that role pursuant to standard condition 33 (Designated Registrar of Pipes);
“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 IP completion day as read with the modifications set out in the Act;
“disabled person”	means any person who, by reason of any disability, has special needs in connection with gas supplied to him, its use or the use of gas appliances or other gas fittings and includes any person who is in receipt of a social security benefit by reason of any disability;
“disposal”	has the meaning given in standard condition 29 (Disposal of Assets);
“domestic customer”	means a person supplied or requiring to be supplied with gas at domestic premises (but excluding such a person in so far as he is supplied or requires to be supplied at premises other than domestic premises);

“domestic premises”	<p>means</p> <p>a) until 1 January 2002 or, where the Authority directs for the purposes of this condition generally, in relation to premises specified or described in the direction, such later date specified in the direction, premises at which a supply is taken at a rate which is reasonably expected not to exceed 73,200 kilowatt hours a year;</p> <p>b) from 1 January 2002 or, where the Authority directs for the purposes of this condition generally, in relation to premises specified or described in the direction, such later date specified in the direction, premises at which a supply is taken wholly or mainly for domestic purposes;</p>
“effective date”	means for the purposes of Section B only, has the meaning given in standard condition 4B (Connection Charges etc);
“estimated costs”	for the purposes of standard condition 3 (Payments by the Licensee to the Authority) only, has the meaning given in that condition;
“financial year”	means, a period of 12 months beginning on 1 <sup>st</sup> April of each year and ending on 31 <sup>st</sup> March of the following calendar year;
“first supplier”	for the purposes of standard condition 5 (System Development Obligations) only, has the meaning given in that condition;
“gas”	in relation to storage, includes gas in a liquid state and “storage”, in relation to gas in either a gaseous or liquid state, means storage in, or in a facility which is connected (directly or indirectly) to, a pipe-line system operated by the licensee and cognate expressions shall be construed accordingly;
“high pressure pipe-line”	means any pipe-line which has a design operating pressure exceeding 7 bar gauge;
“holding company”	means a holding company within the meaning of section 1159 of the Companies Act 2006;
“indebtedness”	for the purposes of standard condition 47 (Indebtedness) only, has the meaning given in that condition;

“independent system”	means a pipe-line system of the licensee in Great Britain which includes relevant mains and which is not connected (directly or indirectly) by pipes to the main pipe-line system of the licensee, acting as a gas transporter;
“industry framework document”	for the purposes of standard condition 13 (Change Co-ordination for the Utilities Act 2000) only, has the meaning given in that condition;
“information”	shall include any documents, accounts, estimates, returns, records or reports and data in written, verbal or electronic form and information in any form or medium whatsoever (whether or not prepared specifically at the request of the Authority or Citizens Advice or Citizens Advice Scotland or Consumer Scotland) or of any description specified by the Authority;
“information covenantor”	for the purposes of standard condition 24 (Provision of Information to the Authority) only, has the meaning given in that condition;
“investment”	for the purposes of Section C only, has the meaning given in standard condition 43 (Restriction on Activity and Financial Ring-fencing);
“investment grade issuer credit rating”	for the purposes of Section C only, has the meaning given in standard condition 46 (Credit Rating of Licensee);
“IP completion day”	has the same meaning as that given in section 39(1) of the European Union (Withdrawal) Act 2020
“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.
“last resort supplier”	for the purposes of standard condition 5 (System Development Obligations) only, has the meaning given in that condition;
“licensee’s pipe-line system”	means a gas pipe-line system operated by the licensee (acting as a gas transporter) and cognate expressions shall be construed accordingly;

“Main Administration Service”	for the purposes of standard condition 33 (Designated Registrar of Pipes) only, has the meaning given in that condition;
“Network Code”	has the meaning given in standard condition 9 (Network Code);
“network emergency co-ordinator”	for the purposes of standard condition 6 (Emergency Services and Enquiry Services Obligations) only, has the meaning given in that condition;
“non-domestic customer”	means a customer of a gas supplier who is not a domestic customer;
“old arrangements”	for the purposes of standard condition 28 (Termination of Shipping Arrangements) only, has the meaning given in that condition;
“owned”	in relation to a gas meter or other property, includes leased and cognate expressions shall be construed accordingly;
“participating interest”	has the has the meaning given in regulations made under Part 15 of the Companies Act 2006;
“permitted purpose”	for the purposes of Section C only, has the meaning given in standard condition 32 (Interpretation of Section C);
“person concerned”	for the purposes of standard condition 4B (Connection Charges etc) only, has the meaning given in that condition;
“premises concerned”	for the purposes of standard condition 4B (Connection Charges etc) only, has the meaning given in that condition;
“primary sub-deduct premises”	means premises to which gas is conveyed by a gas transporter before being conveyed to secondary sub-deduct premises;
“quantity” and “volume”	in relation to gas, are synonymous;
“Regulation”	means Regulation 2009/715/EC of the European Parliament and of the Council of 13 July 2009 on conditions for access to the national gas transmission networks and repealing Regulation 2005/1775/EC(5)(a), as amended by Commission Decision 2010/685/EU of 10 November 2010 amending Chapter 3 of Annex I to Regulation 2009/715/EC of the European Parliament

and of the Council on conditions for access to the natural gas transmission networks(6)(b);

“related undertaking”	in relation to any person means any undertaking in which such person has a participating interest;
“relevant customer”	for the purposes of standard condition 6 (Emergency Services and Enquiry Service Obligations) only, has the meaning given in that condition;
“relevant methodology objective”	for the purposes of standard condition 4A (Obligations as Regards Charging Methodology) only, has the meaning given in that condition;
“relevant objectives”	for the purposes of standard condition 4B (Connection Charging Methodology) only, has the meaning give in that condition
“relevant period”	for the purposes of standard condition 5 (System Development Obligations) only, has the meaning given in that condition;
“relevant proportion”	for the purposes of standard condition 3 (Payments by the Licensee to the Authority) only, has the meaning given in that condition;
“relevant shipper”	means, in relation to any premises, a gas shipper which has made arrangements with the licensee in pursuance of which gas is conveyed to those premises and, in relation to any secondary sub-deduct premises, such arrangements shall be deemed to have been made where, in pursuance of arrangements made by a gas shipper, gas is taken out of the pipe-line system of the licensee at the relevant primary sub-deduct premises with a view to its conveyance to those secondary sub-deduct premises;
“relevant supplier”	means, in relation to any premises, a gas supplier which supplies to those premises gas which is conveyed thereto (or, where the premises are secondary sub-deduct premises) by the licensee;
“relevant year”	for the purposes of standard condition 3 (Payments by the Licensee to the Authority) only, has the meaning given in that condition; and for the purposes of standard condition 48 (Last

Resort Supply: Payment Claims) only, has the meaning given in that condition;

“Retail Price Index”

means the general index of retail prices published by the Office for National Statistics each month in respect of all items or:

- a) if the index for any month in any year shall not have been published on or before the last day of the third month after such month, such index for such month or months as the Authority may after consultation with the licensee and for the purposes of this condition generally determine to be appropriate in the circumstances; or
- b) if there is a material change in the basis of the index, such other index as the Authority may after consultation with the licensee and for the purposes of this condition generally determine to be appropriate in the circumstances.

“Retained EU law”

has the same meaning as that given by section 6(7) of the European Union (Withdrawal)

“risk criteria”

for the purposes of standard condition 5 (System Development Obligations) only, has the meaning given in that condition;

“routing guidelines”

for the purposes of standard condition 5 (System Development Obligations) only, has the meaning given in that condition;

“secondary sub-deduct premises”

means premises to which gas is conveyed in pursuance of an exemption from section 5(1)(a) of the Act granted under section 6A thereof, for supply by a gas supplier;

“Secretary of State’s costs”

for the purposes of standard condition 3 (Payments by the Licensee to the Authority) only, has the meaning given in that condition.

“specified amount”

for the purposes of standard condition 7 (Provision of Information Relating to Gas Illegally Taken) only, has the meaning given in that condition; and for the purposes of standard condition 48 (Last Resort Supply: Payment Claims) only, has the meaning given in that condition;

“Smart Metering System”	has the meaning given to it in standard condition 1 of the Standard Conditions of Gas Supply Licences;
“statutory accounts”	means the accounts that the licensee prepares under the Companies Act 2006;
“storage arrangements”	means arrangements whereby gas shippers may, from time to time and in different cases and circumstances, have gas stored in facilities (other than facilities used solely for diurnal storage or afforded by, or connected to, an independent system or facilities for the conveyance of gas which the licensee uses exclusively for the conveyance of gas to such a system) which both are operated by the person who holds this licence and were operated by that person at a time during the period of 12 months ending with 1 March 1996;
“storage asset”	for the purposes of standard condition 29 (Disposal of Assets) only, has the meaning given in that condition;
“subsidiary”	means a subsidiary within the meaning of section 1159 of the Companies Act 2006;
“supplemental charge”	for the purposes of Section B only, has the meaning given in standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges);
“supplier concerned”	has the meaning given in standard condition 7 (Provision of Information Relating to Gas Illegally Taken);
“supplier’s charges”	for the purposes of standard condition 7 (Provision of Information Relating to Gas Illegally Taken) only, has the meaning given in that condition;
“Supply Point Information Service”	for the purposes of standard condition 31 (Supply Point Information Service) only, has the meaning given in that condition;
“trading business”	for the purposes of standard condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business ) only, has the meaning given in that condition;

“Transco plc”	means the company (registered in England and Wales under company registration no. 02006000) which had that name on 1 October 2001 whether or not it previously had a different name and that name is subsequently changed;
“transportation arrangements”	<p>means arrangements (including sub-deduct arrangements defined in paragraph 2) whereby gas shippers may, from time to time and in different cases and circumstances, have gas introduced into, conveyed by means of and taken out of the licensee’s pipe-line system and arrangements falling within the preceding provisions of this definition shall be transportation arrangements notwithstanding that they may involve the utilisation of – (a) facilities for the storage of gas in so far as the licensee uses them in connection with its independent systems, including such facilities so used for the purpose of conveying gas to such a system; or NTS GT licence 60 September 2020 (V12.5)</p> <p>(b) storage facilities used by the licensee solely for the diurnal storage of gas which has been introduced into its pipe-line system,</p> <p>subject, however, to paragraph 9 of standard condition 4 (Charging Gas Shippers – General), paragraphs 2 and 4 of standard condition 4E (Requirement to Enter into Transportation Arrangements in conformity with Network Code), and paragraph 6 of standard condition 25 (Long Term Development Statement);</p>
“transportation asset”	for the purposes of standard condition 29 (Disposal of Assets) only, has the meaning given in that condition;
“transportation business”	means the activities of the licensee connected with the development, administration, maintenance and operation of its pipe-line system subject, however, to paragraph 11 of standard condition 4A (Obligations as Regards Charging Methodology), paragraph 2 of standard condition 4D (Conduct of Transportation Business) and paragraph 9 of standard condition 24 (Provision of Information to the Authority);

“transportation services area”	has the meaning given at sub-paragraph 5(b) of standard condition 2 (Application of Section C (Transportation Services Obligations));
“Transportation Services Direction”	for the purposes of standard condition 2 (Application of Section C (Transportation Services Obligations)) only, has the meaning given in that condition;
“unadjusted amount”	for the purposes of standard condition 27 (Adjustment of Amounts by Reference to the Retail Price Index) only, has the meaning given in that condition;
“ultimate controller”	means - <ul style="list-style-type: none"> <li>a) a holding company of the licensee which is not itself a subsidiary of another company; and</li> <li>b) any person who (whether alone or with a person or persons connected with him) is in a position to control, or to exercise significant influence over, the policy of the licensee or any holding company of the licensee by virtue of: rights under contractual arrangements to which he is a party or of which he is a beneficiary; or rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by him or of which he is a beneficiary, but excluding any director or employee of a corporate body in his capacity as such; and</li> <li>c) for the purposes of sub-paragraph (b), a person is connected with another person if they are party to any arrangement regarding the exercise of any such rights as are described in that paragraph.</li> </ul>
“undertaking”	has the meaning given by section 1161 of the Companies Act 2006;
“value”	has the meaning given in standard condition 7 (Provision of Information Relating to Gas Illegally Taken);
“year”	for the purposes of standard condition 16 (Pipe-Line System Security Standards) only, means a period of 12 months

beginning with 1<sup>st</sup> October; and for the purposes of standard condition 48 (Last Resort Supply: Payment Claims) only, has the meaning given in that condition.

- 1A. Any reference in this condition to the provisions of the Companies Act 2006 shall before 6 April 2008 be construed as a reference to the corresponding provisions of the Companies Act 1985 or the Companies Act 1989 where applicable in force on 31 March 2008
2. In these standard conditions, except where the context otherwise requires -
  - (a) any reference to “the relevant primary sub-deduct premises”, in relation to any secondary sub-deduct premises, is a reference to the primary sub-deduct premises to which gas was conveyed before its conveyance to those secondary sub-deduct premises;
  - (b) any reference to “sub-deduct arrangements”, in relation to any secondary sub-deduct premises, is a reference to arrangements which a gas shipper makes with the licensee in pursuance of which gas is taken out of the pipe-line system of the licensee at the relevant primary sub-deduct premises with a view to its conveyance to those secondary sub-deduct premises;
  - (c) any reference to “customer” shall, notwithstanding paragraph 4, include a person who is supplied with gas at secondary sub-deduct premises.
3. Any words or expressions used in the Utilities Act 2000 or Part I of the Act shall, unless contrary intention appears, have the same meanings when used in the standard conditions.
4. Except where the context otherwise requires, any reference to a numbered standard condition (with or without a letter) or Schedule is a reference to the standard condition (with or without a letter) or Schedule bearing that number in this licence, and any reference to a numbered paragraph (with or without a letter) is a reference to the paragraph bearing that number in the standard condition or Schedule in which the reference occurs, and reference to a Section is a reference to that Section in these standard conditions.
5. These standard conditions shall have effect as if, in relation to a licence holder who is a natural person, for the words “it”, “its” and “which” there were substituted the words “she”, “her” “hers”, and “whom”, and cognate expressions shall be construed accordingly.

6. Except where the context otherwise requires, a reference in a standard condition to a paragraph is a reference to a paragraph of that condition and a reference in a paragraph to a sub-paragraph is a reference to a sub-paragraph of that paragraph.
  
7. Any reference in these standard conditions to -
  - (a) a provision thereof;
  - (b) a provision of the standard conditions of gas shippers' licences, or
  - (c) a provision of the standard conditions of gas suppliers' licences,shall, if these conditions or the standard conditions in question come to be modified, be construed, so far as the context permits, as a reference to the corresponding provision of these or the other standard conditions in question as modified.
  
8. In construing these standard conditions, the heading or title of any standard condition or paragraph shall be disregarded.
  
9. Any reference in a standard condition to the purposes of that condition generally is a reference to the purposes of that condition as incorporated in this licence and as incorporated in each other licence under section 7 of the Act (whenever granted) which incorporates it.
  
10. Where any obligation of the licence is required to be performed by a specified date or time, or within a specified period, and where the licensee has failed so to perform, such obligation shall continue to be binding and enforceable after the specified date or time, or after the expiry of the specified period (but without prejudice to all the rights and remedies available against the licensee by reason of the licensee's failure to perform by that date or time, or within that period).
  
11. Anything required by or under these standard conditions to be done in writing may be done by facsimile transmission of the instrument in question or by other electronic means and, in such case:
  - (a) the original instrument or other confirmation in writing shall be delivered or sent by pre-paid first-class post as soon as is reasonably practicable, and
  - (b) where the means of transmission had been agreed in advance between the parties concerned, in the absence of and pending such confirmation, there shall be a rebuttable presumption that what was received duly represented the original instrument.

12. The definitions referred to in this condition may include some definitions which are not used or not used exclusively in Sections A and B (which Sections are incorporated in all transporter licences). Where -
- (a) any definition is not used in Sections A and B, that definition shall, for the purposes of this licence, be treated -
    - (i) as part of the standard condition or conditions (and the Section) in which it is used;
    - (i) as not having effect in the licence until such time as the standard condition in which the definition is used has effect within the licence in pursuance of standard condition 2 (Application of Section C (Transportation Services Obligations));
  - (b) any definition which is used in Sections A and B is also used in one or more other Sections -
    - (i) that definition shall only be modifiable in accordance with the modification process applicable to each of the standard conditions in which it is used; and
    - (ii) if any such standard condition is modified so as to omit that definition, then the reference to that definition in this condition shall automatically cease to have effect.

**Condition 2. Application of Section C (Transportation Services Obligations)**

1. Where the Secretary of State has provided, by a scheme made under Schedule 7 to the Utilities Act 2000, for Section C (in whole or in part) to have effect within this licence:
  - (a) paragraphs 4 to 8 shall have effect in the licensee's licence; and
  - (b) the licensee shall be obliged to comply with the requirements of Section C (in whole or, as the case may be, in part) of this licence.

Such provision made by the Secretary of State in the said scheme shall be treated, for the purposes of paragraphs 5, 6, and 7 of this condition, as if it were a Transportation Services Direction made by the Authority.

2. Unless or until:-
  - (a) the Secretary of State has provided, by a scheme made under Schedule 7 to the Utilities Act 2000, for Section C (in whole or in part) to have effect within this licence; or
  - (b) the Authority has issued to the licensee a direction pursuant to paragraph 4 the standard conditions in Section C (in whole or, as the case may be, in part) shall not have effect within this licence; and the licensee shall not be obliged to comply with any of the requirements of Section C (in whole or, as the case may be, in part) of this licence.
3. Except where paragraph 1 applies to the licensee, paragraphs 4 to 8 of this standard condition shall be suspended and shall have no effect in this licence until such time as the Authority, with the consent of the licensee, issues to the licensee a notice in writing ending the suspension and providing for those paragraphs to have effect in this licence with effect from the date specified in the notice.
4. The Authority may, with the consent of the licensee, issue a direction (a "Transportation Services Direction"). Where the Authority has issued to the licensee a Transportation Services Direction the standard conditions in Section C (in whole or, as the case may be, in part) shall have effect within this licence from the date specified in the direction; and the licensee shall be obliged to comply with the requirements of Section C (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.

5. A Transportation Services Direction:
  - (a) may specify that the standard conditions in Section C (in whole or in part) are to have effect in this licence; and
  - (b) shall specify or describe an area (the “transportation Services area”) within which the licensee shall be obliged to comply with any of the requirements of Section C (in whole or, as the case may be, in part).
6. The Authority may, with the consent of the licensee:
  - (a) vary the terms (as set out in the Transportation Services Direction or elsewhere) under which Section C (or parts thereof) has effect in this licence; or
  - (b) provide for Section C (or parts thereof) to cease to have effect in this licence.
7. The variation or cessation provided for in paragraph 6 shall take effect from the date specified in the variation or cessation notice given to the licensee by the Authority.
8. With effect from the date of cessation referred to in paragraph 7, paragraphs 4 to 7 of this condition shall be suspended and shall cease to have effect in this licence, but the Authority may at any time thereafter, with the consent of the licensee, give to the licensee a notice ending the suspension and providing for those paragraphs to have effect again in this licence with effect from the date specified in the notice.

**Condition 3. Payments by the Licensee to the Authority**

1. The licensee shall, at the times stated, pay to the authority such amounts as are determined by or under this condition.
2. In respect of each relevant year at the beginning of which the licensee holds this licence, the licensee shall pay to the Authority the aggregate of:
  - (a) an amount which is the appropriate proportion of the costs of the Authority during the year in question;
  - (b) the appropriate proportion of the costs of Citizens Advice;
  - (c) the appropriate proportion of the costs of Citizens Advice Scotland or Consumer Scotland;;
  - (d) an amount which is the appropriate proportion of the costs of the Citizens Advice, Citizens Advice Scotland or Consumer Scotland on, or in connection with, the support of any qualifying public consumer advice scheme that the Secretary of State considers is reasonable having regard to the functions exercisable by the National Consumer Council in relation to gas and electricity consumers; and.
  - (e) an amount that is the appropriate proportion of the costs of the Secretary of State during the year in question in respect of –
    - (i) payments made by the Secretary of State by virtue of section 17(7) or (7A) of the Act (payments relating to meter examiners); and
    - (ii) any other costs incurred by the Secretary of State in performing functions conferred by section 17 of the Act or by gas meter regulations (as defined in section 92(5) of the Energy Act 2008);

3. The amounts (net of any credit notes issued by the Authority) determined in accordance with paragraph 2 shall be paid by the licensee to the Authority in two instalments, with:
- (a) the first instalment being due for payment by 31 July in each relevant year; and
  - (b) the second instalment being due for payment by 31 January in each relevant year

provided that, in each case, if the Authority has not given notice of the amount of the instalment due at least 30 days before the payment date stated above, the licensee shall pay the amount due within 30 days from the actual giving of notice by the Authority to the licensee (whenever notice is given).

4. If the licensee fails to pay the amount determined in accordance with paragraph 2 within 30 days of the payment date determined in accordance with paragraph 3, it shall with effect from that payment date pay simple interest on that amount at the rate which is from time to time equivalent to the base rate of NatWest Bank plc or, if there is no such base rate, such base rate as the Authority may designate for the purposes hereof.

5. In this condition:

“costs” means costs estimated by the Authority as likely to be or have been:

the costs of

- (i) the Authority calculated in accordance with principles determined by the Authority for the purpose of this condition generally (after consultation with the licensee and others likely to be affected by the application of such principles) and notified to the licensee; and
- (ii) Citizens Advice, Citizens Advice Scotland or Consumer Scotland, as the case may be; and
- (iii) the Secretary of State

“appropriate proportion” means the proportion of the costs attributable to the licensee in accordance with principles determined by the Authority for the purposes of this condition generally (after consultation with the licensee and others likely to be affected by the application of those principles) and notified to the licensee; and

NTS GT licence

“relevant year”

means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.

## **Section B General**

### **Condition 4B. Connection Charging Methodology**

1. Subject to paragraph 2, where any pipe is supplied and laid by the licensee in discharge of the duty imposed by section 10(2)(a) of the Act, for the purpose of connecting premises (“the premises concerned”) to a relevant main, the licensee may charge the person requiring the connection (“the person concerned”) in respect of the cost of supplying and laying the pipe-  
  
provided that in a case in which the supply of gas is to domestic premises, the licensee shall only so charge in respect of the cost of supplying and laying the pipe insofar as it is attributable to the supplying and laying of -
  - (a) so much of the pipe as is laid upon property owned or occupied by the person concerned, not being property dedicated to public use; and
  - (b) so much of the pipe as is laid for a greater distance from a relevant main than 10 metres, although not on such property as is mentioned in subparagraph (a).
  
2. Paragraph 1 shall have effect as if the proviso thereto were omitted where –
  - (a) the person concerned may be required in pursuance of regulations made, or having effect as if made, under section 10(7) of the Act to make a payment in respect of the expenses of the main used for the purpose of making the connection; or
  - (b) the premises concerned are in an area designated for the purposes of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges) and the charges to be made of a gas shipper by the licensee in respect of the conveyance of gas to those premises would include a supplemental charge where appropriate.
  
3. The licensee shall by 1 April 2008 determine and comply with a connection charging methodology approved by the Authority showing the methods by which, and the principles on which, (consistently with its duties under section 9 of the Act) -
  - (a) where a connection is required in pursuance of subsection (2) of section 10 of the Act, charges in respect of the cost of connecting, supplying and

laying a pipe or the expenses of the laying of a main are normally to be determined in different cases or circumstances;

- (b) where a connection is required in a case not falling within subsection (1)(a) or (b) of the said section 10 and the premises are not likely to be supplied with gas at a rate exceeding that from time to time mentioned in subsection (8) of the said section 10 (subject to section 8A(1) of the Act, 2,196,000 kilowatt hours in any period of 12 months), the charges to be made for the connection, including charges for supplying and laying a pipe are to be determined;
- (c) where a connection or disconnection is required in the case of any premises likely to be, or which have been, supplied with gas at a rate exceeding that from time to time mentioned in subsection (8) of the said section 10, the charges to be made for the connection or disconnection including, so far as appropriate, charges for supplying or laying a pipe or main and charges in respect of anything done or provided in connection with the connection or disconnection in different cases or circumstances are to be determined;
- (d) without prejudice to sub-paragraph (a), in the circumstances mentioned in subsection (10) of the said section 10 (read with any regulations under subsection (11) thereof), charges under the said subsection (10) are normally to be determined in different cases and circumstances;
- (e) where a connection is required to a pipe comprised in the pipe-line system to which this licence relates to enable gas to be introduced into, or taken out of that system, charges in respect of the connection are normally to be determined in different cases or circumstances; and
- (f) where a connection is required for works including, in particular, works to increase the capacity of a high pressure pipe-line and by way of the supply and installation of a pipe-line, charges in respect of the connection are normally to be determined in different cases or circumstances.

4. The licensee shall, for the purpose of ensuring that the connection charging methodology continues to achieve the relevant objectives:

- (a) review the connection charging methodology at least once in every year; and

- (b) subject to the network code modification procedures as defined in Standard Special Condition A11 (Network Code and Uniform Network Code) and paragraph 5A and 6, make such modifications (if any) of the connection charging methodology as are necessary for the purpose of better achieving the relevant objectives.

5. In paragraph 4 and below, the relevant objectives are that:

- (a) compliance with the connection charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence;
- (b) compliance with the connection charging methodology facilitates competition in the supply of gas, and does not restrict, distort, or prevent competition in the transportation of gas conveyed through pipes;
- (c) compliance with the connection charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its transportation business and, where the Act enables, to charge a reasonable profit;
- (d) so far as is consistent with sub-paragraphs (a), (b) and (c), the connection charging methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's transportation business;
- (e) compliance with the connection charging methodology ensures that the licensee shall not show any undue preference towards, or undue discrimination against, any person who operates, or proposes to operate, a pipe-line system in relation to the connection of that system to the pipe-line system to which this licence relates; and
- (f) the connection charging methodology is compliant with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

5A. Unless the Authority directs otherwise, paragraph 6 of this condition shall apply where a report in respect of any proposal for modification of the connection charging methodology is furnished in accordance with paragraph 6 of this condition as in force

at 30 December 2010 to the Authority before 31 December 2010.

6. The licensee shall not make a modification to the connection charging methodology where the Authority has within 28 days (or within three months if the Authority intends to undertake an impact assessment) of the report being furnished to it in accordance with paragraph 6 of this condition as in force at 30 December 2010 given a direction to the licensee that the modification shall not be made.
7. Where changes to the connection charging methodology are made in accordance with network code modification procedures as defined in Standard Special Condition A11 (Network Code and Uniform Network Code) or in accordance with paragraph 5A and 6 of this condition the licensee shall:
  - (a) revise the connection charging methodology so that it sets out the changed methods and principles and specifies the date from which it is to have effect; and
  - (b) furnish the Authority with a copy of the revised connection charging methodology.
8. The licensee shall -
  - (a) publish the connection charging methodology under paragraph 3 or 7 in such manner as will secure adequate publicity for it and, in the case of a connection charging methodology furnished under paragraph 7, shall so publish it before the effective date thereof;
  - (b) publish with any such connection charging methodology so published a statement that any complaint in respect of a charge to which the connection charging methodology relates, if not resolved between the licensee and the complainant, may be referred to the Authority by letter addressed to the Authority at an address specified in the statement; and
  - (c) send a copy of any such connection charging methodology and statement so published to any person who asks for one.
9. The licensee shall prepare and furnish the Authority with a statement, or revision or amendment of a statement, which:
  - (a) sets out the basis on which charges will be made for the provision of connections to the pipe-line system to which this licence relates;

- (b) where appropriate and practicable, is in such form and with such details and examples as are necessary to illustrate to any person requiring a connection how charges are applied for different categories of connection; and
  - (c) is in accordance with connection charging methodology.
- 10. The licensee shall not show any undue preference towards, or undue discrimination against, any person who operates, or proposes to operate, a pipe-line system in relation to the connection of that system to the licensee's pipe-line system.
- 11. The licensee shall:
  - (a) publish the statement under paragraph 9 in such manner as will secure adequate publicity for it; and
  - (b) send a copy of any statement under paragraph 9 to any person who asks for one.
- 12. References in this condition to charges exclude references to supplemental charges within the meaning of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges).
- 13. The licensee shall establish, and keep up to date, a register (or separate registers for different areas) of pipes which have vested in it and become its property by virtue of section 10(6) of the Act and fall within section 10(13)(b) but have not been declared relevant mains under section 10(13) thereof; and an entry in the register in respect of a particular pipe-
  - (a) shall contain sufficient particulars to enable the pipe to be identified;
  - (b) shall be made within 28 days of the pipe vesting in, and becoming the property of, the licensee; but
  - (c) shall be deleted, as soon as is reasonably practicable, if the pipe in question is subsequently declared a relevant main under the said section 10(13).
- 14. The licensee shall make arrangements for a copy of the said register (or of the information contained therein) to be available for inspection, electronically, where possible at reasonable times, if it has area offices, at those offices or, if it has not, at its principal office; and, for the purposes hereof, "area office" means one which is fixed for an area for the purposes of section 46(3) of the Act.

15. In this condition, any reference to the making of a charge -
- (a) in relation to the supplying or laying of a pipe in pursuance of section 10(2)(a) of the Act, is a reference to requiring that the person requiring the connection defrays the whole or a part of the cost thereof;
  - (b) in relation to the laying of a main used for the purpose of making a connection and in the circumstances mentioned in section 10(7) of the Act, is a reference to requiring, in pursuance of regulations under that provision, that the person requiring the connection pays an amount in respect of the expenses of the laying of the main; and
  - (c) in the circumstances mentioned in subsection (10) of section 10 of the Act (read with any regulations under subsection (11) thereof), is a reference to requiring the person requiring a connection to be made or maintained in pursuance of subsection (2) or (3) of the said section 10 to make such payments as are mentioned in the said subsection (10),
- and cognate expressions shall be construed accordingly.

**Condition 4F. Access to the system**

1. The licensee must offer access to its system in line with the Act and the Directive.  
Where access to the system is refused duly substantiated reasons shall be given.

**Condition 7. Provision of Information Relating to Gas Illegally Taken**

1. Where it appears that sub-paragraph (1) of paragraph 9 of Schedule 2B to the Act may apply by reason that a person has, or may have, taken a supply of gas in course of conveyance by the licensee or that sub-paragraph (2) of that paragraph may apply by reason that a person has, or may have, taken a supply of gas at any premises which has been conveyed thereto by the licensee, it shall –
  - (a) investigate the matter; and
  - (b) subject to the outcome of that investigation, use its reasonable endeavours to recover, in pursuance of the said sub-paragraph (1) or (2), the value of the gas, and, in this paragraph and paragraph 3, “value”, in relation to gas, has the same meaning as in paragraph 9 of the said Schedule 2B.
  
2. Where it appears that a person has, or may have, taken a supply of gas previously conveyed by the licensee to primary sub-deduct premises in circumstances where-
  - (a) sub-paragraph (1) of paragraph 9 of Schedule 2B to the Act might have applied but for the fact that the gas was, at the time of such taking, in the course of being conveyed to secondary sub-deduct premises; or
  - (b) sub-paragraph (2) of the said paragraph 9 might have applied but for the fact that the premises to which the gas had, at that time, been conveyed were secondary sub-deduct premises, the licensee shall –
    - (i) investigate the matter; and
    - (ii) subject to the outcome of that investigation, use reasonable endeavours to recover the amount (“the specified amount”) which, if the gas had been taken in such circumstances as are mentioned in paragraph 8(2) of Schedule 2B to the Act, could reasonably be expected to have been payable in respect of that gas under a contract deemed to have been made by virtue of that subparagraph.
  
3. Where the licensee has, as required by paragraph 1 or 2, recovered, or attempted to recover, the value of the gas taken or, as the case may be, the specified amount, then

any standard condition of this licence that limits, or has the effect of limiting, the charges made in pursuance of transportation arrangements or the revenue derived therefrom which is specified in a scheme designated by the Authority for the purposes of this condition shall be modified as provided in that scheme to take account of –

- (a) the costs of any such investigation as is mentioned in paragraph 1;
- (b) any amount recovered as so mentioned;
- (c) the costs of any such recovery or attempted recovery so mentioned; and
- (d) any costs to the licensee attributable to any gas being acquired, or not being disposed of, by it by reason of the taking of the gas,

so as to secure that, as nearly as may be and taking one year with another, the licensee suffers no financial detriment, and acquires no financial benefit, as a result of the taking of the gas and its compliance with paragraph 1.

4. Paragraphs 5, 6, 7 and 8 shall apply where -

- (a) an offence under paragraph 10(1) of Schedule 2B to the Act has been, or may have been, committed at any premises and, before the matter has been remedied, the owner or occupier of the premises has taken a supply of gas which has been conveyed to those premises (or, where those premises are secondary sub-deduct premises, to the relevant primary sub-deduct premises) by the licensee in pursuance of arrangements made with a gas shipper;
- (b) an offence under paragraph 11(2) of the said Schedule has been, or may have been, committed at any premises (or an offence would have been, or might have been, so committed but for the fact that the premises in question are secondary sub-deduct premises) and such a supply of gas as aforesaid has been taken by the owner or occupier of the premises without the agreement of either the licensee or of a gas supplier which cut off the supply of gas or is, or is about to become, the relevant supplier; or
- (c) a supply of gas has been taken by the occupier at any premises in such circumstances as are mentioned in paragraph 8(2) of the said Schedule (or,

where the premises are secondary sub-deduct premises, a supply was taken by the occupier in circumstances that would have been those mentioned in that paragraph had the gas been conveyed to the premises by the licensee) and the supplier concerned has reasonable cause to believe either that the person in question both –

- (i) is not, or may not be, in lawful occupation of the premises; and
- (ii) does not genuinely intend to pay charges for the gas taken,

or that the person in question has ceased to be the owner or occupier of the premises and has not informed the supplier concerned of his present address,

and, in this paragraph and paragraphs 5, 6, 7 and 8, “the supplier concerned” means the relevant supplier or, in such circumstances as are mentioned in sub-paragraph (2) of paragraph 8 of the said Schedule, the appropriate supplier within the meaning of sub-paragraph (3) of that paragraph.

5. Where this paragraph applies and -

- (a) the relevant shipper has requested, or in pursuance of a contract, required the supplier concerned –
  - (i) to investigate the matter; and
  - (ii) subject to the outcome of that investigation, to use its reasonable endeavours to recover the charges to which it is entitled, whether under such a contract or deemed contract as is mentioned in paragraph 3(a) or, as the case may be, under a deemed contract arising under paragraph 8(2) of Schedule 2B to the Act or (where the premises in question are secondary sub-deduct premises) otherwise, in respect of a supply of gas taken as mentioned in paragraph 4, (“the supplier’s charges”);
- (b) the supplier concerned has complied with that request or requirement but has failed, and cannot reasonably be expected, to recover those charges; and

- (c) the relevant shipper has notified the licensee that this paragraph applies and the standard conditions in sub-paragraphs (a) and (b) have been satisfied and has done so either in writing or in such other manner as the licensee may have informed the shipper is acceptable, the licensee shall treat the amount of gas to which the supplier's charges relate as not having been taken out of its pipeline system by the relevant shipper for the purposes of calculating and claiming charges to be paid to it by that shipper in pursuance of the arrangements between them and shall further reduce those charges by an amount equal to that of the allowance mentioned in paragraph 6; and, accordingly, only the charges so calculated and paid shall be taken into account for the purposes of any standard condition of this licence which limits the charges which may be made in pursuance of transportation arrangements or the revenue derived therefrom.
  
- 6. The allowance referred to in paragraph 5 is one in respect of the reasonable cost to the supplier concerned of complying with such a request or requirement as is mentioned in paragraph 5 and of an amount calculated in accordance with principles set out in a scheme designated by the Authority for the purposes of this condition.
  
- 7. For the purposes of paragraphs 5 and 6, where, in relation to the premises in question, the same person (being a gas supplier) is both the relevant shipper and the supplier concerned –
  - (a) the standard conditions in paragraph 5(a) and (b) shall be deemed to have been satisfied if that person has:
    - (i) investigated the matter;
    - (ii) subject to the outcome of that investigation, used its reasonable endeavours to recover the supplier's charges; and
    - (iii) failed and cannot reasonably be expected to recover those charges;and
  - (b) paragraph 6 shall have effect as if the reference to the reasonable cost of complying with such a request or requirement as mentioned in paragraph 5 were a reference to the reasonable cost of such investigation and reasonable

endeavours as are mentioned in sub-paragraph (a).

8. For the purposes of paragraphs 5 and 7, the supplier concerned shall be presumed to have used its reasonable endeavours if it has acted in a manner laid down by the licensee in a document which has been –
  - (a) prepared by the licensee after consultation with relevant shippers and relevant suppliers;
  - (b) approved by the Authority; and
  - (c) drawn to the attention of such shippers and suppliers, and the licensee shall supply a copy of the document to any relevant shipper or supplier which asks for one.
9. Where paragraph 5 applies for the purposes of the calculation of charges but the charges have already been made, they shall be recalculated as provided in that paragraph and any consequential adjustment made; and in such case the words “the charges so calculated and paid” in paragraph 5 shall be construed as referring to the recalculated charges and the adjusted payments.
10. Any question arising under paragraph 5 or 7 as to whether the supplier concerned has used its reasonable endeavours to recover charges shall be determined by the Authority.
11. Subject to paragraph 12, for the purposes of this condition there shall, be rebuttable presumptions –
  - (a) that, where gas is taken at a point upstream of the outlet of the customer control valve on a service pipe, it is gas which is in the course of conveyance by the licensee; and
  - (b) that, where gas is taken at some other point, it is gas which has been conveyed to premises by the licensee.
12. For the purposes of this condition, there shall also be rebuttable presumptions, in relation to any secondary sub-deduct premises –

- (a) that where gas is taken (otherwise than by a consumer to whom gas is supplied at the relevant primary premises) at a point between –
    - (i) the meter which registers the supply of gas to the relevant primary premises; and
    - (ii) the outlet of the customer control valve relating to the secondary subdeduct premises, it is gas which is in the course of being conveyed to the secondary sub-deduct premises; and
  - (b) that where gas is taken downstream of the outlet, it is gas which has been conveyed to the secondary sub-deduct premises.
13. The licensee shall, at the request of a relevant shipper, secure that any meter or associated installation or pipe-work connected to the licensee's pipe-line system which has been rendered unsafe or potentially unsafe as a result of –
- (a) an offence or attempted offence under paragraph 10 of Schedule 2B to the Act; or
  - (b) the reconnection of any premises or the restoration of the supply of gas thereto in contravention of paragraph 11 of that Schedule (or, where the premises in question are secondary sub-deduct premises, such reconnection or restoration as would, but for that fact , have amounted to such a contravention) or any attempt so to do,
- is rendered safe.
14. For the purposes of paragraph 13, but subject to paragraph 15, any meter or associated installation or pipe-work connected to a pipe-line system, being a system through which gas is conveyed from primary sub-deduct premises to any secondary sub-deduct premises, shall be deemed to be connected to the licensee's pipe-line system if the licensee conveys gas to the primary sub-deduct premises.
15. Paragraph 14 shall not apply to the extent that the licensee does not have the necessary rights of entry, as against –

- (a) the owner or occupier of any premises on which the meter or associated installation or pipe-work are situated; or
- (b) the owner of the meter or associated installation or pipe-work, to comply with paragraph 13.

## **Condition 10 The Smart Energy Code**

### **Party to the Code**

- 1 The licensee must:
  - (a) by no later than the Commencement Date, be a party to the Smart Energy Code; and
  - (b) thereafter remain a party to and comply with the Smart Energy Code.

### **Derogation**

- 2 The Authority, following the consultation with the licensee and where appropriate any other person likely to be materially affected and after having a regard to any guidance issued by it in accordance with paragraph 3, may give a direction (“a derogation”) to the licensee that relieves it of its obligations under the Smart Energy Code in respect of such parts of the Smart Energy Code, to such extent, for such period of time and subject to such conditions as may be specified in the direction.
- 3 The Authority may issue, and may from time to time revise, guidance regarding the manner in which it will exercise its powers under paragraph 2.
- 4 The guidance issued in accordance with paragraph 3 may, in particular, set out:
  - (a) the process for requesting the Authority to grant a derogation under paragraph 2;
  - (b) the type of information that is likely to be required by the Authority as part of that process; and
  - (c) the criteria the authority would have regard to in considering whether and to what extent to exercise its power to give a direction under paragraph 2.

### **Interpretation**

- 5 For the purposes of this Condition the licensee’s obligation to comply with the Smart Energy Code is an obligation to comply with the provisions of the Smart Energy Code so far as they are applicable to the licensee.

### **Definitions**

- 6 In this condition

Commencement Date	means:  (a) the date which is the SEC Designated Date; or  (b) where this Condition comes into force after the SEC Designated Date, the earlier of the date on which the licensee offers to transport gas or the date on which it begins to transport gas in Great Britain
DCC Licence	means the licence for the provision of a smart meter communication service granted pursuant to sections 7AB(2) and (4) of the Gas Act 1986.
Smart Energy Code	means the document of that name, as designated by the Secretary of State under Condition 22 of the DCC Licence.
SEC Designated Date	means the date the Smart Energy Code is designated by the Secretary of State in a direction given for the purposes of Condition 2 of the DCC Licence.

### **Condition 11. Agency**

1. This Standard Condition 11 (Agency) applies to all relevant licensees.
2. The relevant licensee shall, together with the other relevant gas transporters, by the 1 October 2015 (unless the Authority consents otherwise in writing), have entered into an agency services agreement (“**AS agreement**”) with the other relevant gas transporters providing for the common provision of services and systems by the agency (as defined in paragraph 4 below) of such services and systems, the scope of which are set out within the uniform network code.
3. The relevant licensee shall, together with other relevant gas transporters procure, or cause to be procured:
  - (a) that the Authority is provided with a copy of the AS agreement and each amendment thereof; and
  - (b) the publication of the AS agreement as modified from time to time, with the exception of any information agreed in writing as being confidential by the Authority.
4. Where services and systems are sub-contracted to a common service provider (the “**agency**”) by all relevant gas transporters including the relevant licensee (unless the Authority has otherwise consented pursuant to paragraph 6), the scope of such subcontracting arrangements (except in respect of the methodology) shall be set out in the uniform network code, and the agency and the agreement referenced in paragraph 2 shall, without limitation, be based on the following principles:
  - (a) such services and systems shall be established, operated and developed on an economic and efficient basis;
  - (b) the costs of the agency shall be determined on an activity cost basis such that the services and systems costs associated with each activity, as set out within the uniform network code as being within the scope of the agency, are separately assessed and reported; and
  - (c) the costs of the agency shall be allocated on a transparent basis.
5. Where services and systems are to be provided pursuant to the uniform network code by the agency, the relevant licensee shall, together with other relevant gas transporters, ensure that all such services and systems are provided or otherwise

procured (including without limitation on a sub contracted basis) on a common basis pursuant to the AS agreement.

6. In respect of the services and systems to be provided by the agency under paragraphs 4 and 5 of this condition, the relevant licensee shall be under an obligation to use or procure the use of such services and systems from the agency and shall not elect either expressly or by its conduct not to use nor to procure the use of the agency as the provider of such services and systems without the prior written consent of the Authority, as may be provided under Standard Condition 9 (Network Code and Uniform Network Code).

### ***Agency Services Funding***

7. For each relevant year, the relevant licensee will contribute no more than the amount determined to have been allowed under Special Condition 1 (Charging of Gas Shippers – Relative Price Control) for the activities to be carried out by the agency as may be set out in the methodology. Such contribution will be made for each supply point connected to the relevant licensee’s pipe-line system regardless of whether the supply point is subject to charging arrangements under Special Condition 1 (Charging of Gas Shippers – Relative Price Control) or otherwise.
8. Notwithstanding the provisions of paragraph 7, the relevant licensee’s contribution for each connected supply point shall be the lesser of;
  - a) the amount determined by the methodology; and
  - b) the relevant charge set out in a charging statement produced by the agency, as may be revised from time to time.

9. In this condition:

“methodology” means, for the purposes of this condition, the methodology, titled “iGT Agency Services: iGT contribution methodology”, as may be published from time to time by the Authority, for the purposes of determining the relevant licensee’s contribution for agency services.

“relevant licensee” means, for the purposes of this condition, a licensee to whom Standard Condition 9 (Network Code and Uniform Network Code) is in effect.

NTS GT licence

“relevant year”

means, for the purposes of this condition, a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.

### **Condition 14: Compliance with Core Industry Documents**

1. The licensee shall become a party to and thereafter comply with those provisions of:
  - a) (Not used); and,
  - b) the Retail Energy Code

that are relevant to it.

2. Paragraph 1 shall cease to have effect in this licence on such date and to such extent as the Authority may specify in a direction given to the licensee.

#### **Duty to cooperate**

3. The licensee will cooperate with the Authority and/or any person(s) appointed by the Authority or appointed pursuant to a direction of the Authority, to undertake any reasonable requests in relation to planning, project assurance and/or coordination/systems integration in order to give full effect to the conclusions of a Significant Code Review.
4. Cooperation for the purposes of paragraph 3 may include but not be limited to:
  - a) the sharing of such information as reasonable, and constructive participation in industry engagement in order to undertake appropriate planning of changes to IT systems or industry standard operational processes system changes pursuant to the conclusions of a Significant Code Review;
  - b) the provision of such data as may be identified and reasonably requested in order to undertake testing and/or the population of any new central systems;
  - c) the preparation and cleansing of such data as may reasonably be requested in order to facilitate live operation of the new central system;
  - d) the provision of test scripts and results of any testing as may be requested by any person appointed to assure the success of any testing; and,
  - e) all reasonable steps to:
    - i) meet key programme milestones for the completion of any action(s) assigned to the licensee;
    - ii) adhere to any remedial plan put in place to address any issues, delays or slippage that may impact the licensee's ability to meet programme

- milestones, to the extent that failure to do so may jeopardise the successful and timely implementation of the programme;
- iii) identify any dependencies that the licensee may have upon agents or other third-parties and secure the necessary support from such parties; and,
  - iv) promptly escalate and/or resolve any disputes that if unresolved may jeopardise the fulfilment of these obligations.

## Interpretation

5. In this condition:

**Significant Code Review** means a review of matters in relation to its principal objective and/or general duties (under section 3A of the Electricity Act or section 4AA of the Gas Act), statutory functions and/or relevant obligations arising under Retained EU Law, which the Authority considers are likely to relate to one or more of the documents referred to in this condition, or to which the licensee is required under this licence to be a party, and concerning which the Authority has consulted upon and issued a Notice to the parties stating that the review will constitute a Significant Code Review.

**Core Industry Documents** means the following:

- a) (Not used); and
- b) the Retail Energy Code required to be in place pursuant to Standard Condition 11 of the Gas Supply licence, as from time to time modified.

**Condition 15. Smart Metering – Matters Relating to Obtaining and Using Consumption Data**

**Application**

15.1 This condition applies in respect of each Domestic Premises supplied with gas through the licensee's pipeline system (the **relevant premises**):

- (a) to which the gas is supplied through a Gas Meter that forms part of a Smart Metering System; and
- (b) in respect of which the quantity of gas supplied is measured by that Gas Meter.

**Prohibition on obtaining consumption data**

15.2 Subject to paragraph 15.3, the licensee must not, in respect of any relevant premises, obtain any Gas Consumption Data which relates to a period of less than one month.

15.3 Paragraph 15.2 does not apply where the requirements of any of paragraphs 15.4, 15.6, 15.7 or 15.8 are satisfied.

**Exceptions to the Prohibition**

15.4 The requirements of this paragraph are that:

(a) the licensee has submitted proposals to demonstrate to the satisfaction of the Secretary of State (or, in respect of proposals submitted after 31 December 2014, to the satisfaction of the Authority) that it can implement practices, procedures and systems which are designed to ensure that, so far as is reasonably practicable, the outcome described at paragraph 15.5 is achieved; the Secretary of State or the Authority (as the case may be) has given approval to the licensee to obtain, once it has implemented such practices, procedures and systems, Gas Consumption Data which relates to any one or more periods of less than one month; and

(b) the licensee has implemented those practices, procedures and systems.

15.5 The outcome described at this paragraph is that, except to the extent that the requirements of any of paragraphs 15.6, 15.7 or 15.8 have also been satisfied, Gas Consumption Data which is obtained by the licensee and which relates to a period of

less than one month ceases (through its aggregation with other Gas Consumption Data or by means of any other process) to be data which is capable of being associated with a Domestic Customer at relevant premises.

15.6 The requirements of this paragraph are that:

- (a) the licensee has given Notice to the Domestic Customer at the relevant premises informing the Domestic Customer that:
  - (i) the licensee intends to obtain Gas Consumption Data which relates to any one or more periods of less than one month;
  - (ii) the licensee requires the Domestic Customer's consent to obtain that Gas Consumption Data; and
  - (iii) where the Domestic Customer gives consent he may withdraw it at any time; and
- (b) the Domestic Customer has given explicit consent to the licensee obtaining that Gas Consumption Data and such consent has not been withdrawn.

15.7 The requirements of this paragraph are that the licensee has reasonable grounds to suspect that any person is taking, from that part of the licensee's pipe-line system through which the relevant premises are supplied, a supply of gas which is in the course of being conveyed by the licensee (for the purposes of this paragraph referred to as the suspected theft of gas), and it obtains Gas Consumption Data which relates to any one or more periods of less than one month only for the purposes of investigating that suspected theft of gas.

15.8 The requirements of this paragraph are that:

- (a) the Secretary of State has approved proposals submitted by the licensee for obtaining Gas Consumption Data which relates to any one or more periods of less than one month, in respect of a particular category of relevant premises and for a particular purpose (in each case as specified in the proposal), on a trial basis (the **Trial**);
- (b) the relevant premises fall within that category;
- (c) the licensee has given at least 14 days advance Notice to the Domestic Customer at the relevant premises informing the Domestic Customer:

- (i) of the nature and purpose of the Trial;
- (ii) that he may at any time object to being included in the Trial;
- (iii) of the process by which the Domestic Customer may object; and
- (d) the Domestic Customer has not objected to being included in the Trial.

### **Prohibition on use of consumption data**

15.9 The licensee must not use any Gas Consumption Data which is obtained by it in respect of any relevant premises other than:

- (a) for the purpose of complying with a relevant condition or a relevant requirement;
- (b) where the requirements of paragraph 15.7 are satisfied, for the purpose of investigating a suspected theft of gas;
- (c) where the requirements of paragraph 15.8 are satisfied, for the purpose of the Trial.

15.10 The licensee must not use any data which is derived (whether in whole or in part) from Gas Consumption Data by means of practices, procedures and systems implemented in accordance with paragraph 10A.4 other than for the purpose of complying with a relevant condition or a relevant requirement.

### **Interpretation and Definitions**

15.11 In this condition, any reference:

- (a) to Gas Consumption Data being 'obtained' by the licensee shall be read as incorporating a reference to the licensee requesting any other person to obtain that Gas Consumption Data on its behalf (and references to 'obtain' and 'obtaining' shall be construed accordingly);
- (b) to the licensee obtaining Gas Consumption Data which 'relates to' a specified period, shall be read as incorporating a reference to the licensee obtaining any data which would allow it to calculate Gas Consumption Data in respect of that period.

15.12 In this condition:

- (a) any power of the Secretary of State or of the Authority to give an approval is a power:
  - (i) to give it to such extent, for such period of time and subject to such conditions as the Secretary of State or the Authority (as the case may be) thinks reasonable in all the circumstances of the case; and
  - (ii) to revoke or amend it (after consulting with the licensee) or give it again under that power;
- (b) any approval given by the Secretary of State or the Authority will be in Writing; and
- (c) every approval given by the Secretary of State or the Authority, which is in effect immediately before this condition is modified, has continuing effect for so long as it is permitted or required by or under the modified condition.

15.13 For the purposes of this condition:

**Gas Consumption Data** means, in respect of a relevant premises, the quantity of gas measured by the Gas Meter as having been supplied to the relevant premises.

## **Condition 20 Payments in Relation to Standards of Performance**

1. Where the licensee is required by any provision of Regulations made under section 33AA of the Act to make a compensation payment to a customer or to another gas transporter for onward transmission to the customer it shall be sufficient compliance with this licence or that provision for the licensee to make the payment to the relevant shipper in such a manner and form as to ensure that the relevant shipper is aware that the payment is for prompt onward transmission via the relevant supplier to the customer.
2. With effect from 1 April 2008, the licensee shall not enter into or allow to continue any agreement, either for connection to or use of the pipe-line system, unless it has taken appropriate steps to put arrangements in place with every gas transporter whose pipe-line system is connected to the pipe-line system to which this licence relates that provide:
  - (a) in respect of its performance of any obligation placed on it by the Regulations referred to in paragraph 1, for the licensee to make payments to the other gas transporter for onward transmission to a customer whose premises are directly connected to the pipe-line system to which that other gas transporter's licence relates;
  - (b) for the licensee and the other gas transporter to agree the extent of responsibility of each of them (where relevant) in relation to any failure to meet a prescribed level of performance pursuant to any provision of the Regulations referred to in paragraph 1;
  - (c) for the other gas transporter, where he is liable to make payments pursuant to any provision of the Regulations referred to in paragraph 1 and that liability arises wholly or partly from a failure, act or omission on the part of the licensee, to recover from the licensee all or (as appropriate) part of the cost of those payments (including financing costs where any such payments have already been made) to:
    - i. the customer;
    - ii. the licensee for onward transmission to the customer; or
    - iii. a relevant shipper for onward transmission to the customer through a gas supplier;

- (d) for the Authority, on the application of the licensee or the other gas transporter, to settle any dispute in such a manner as appears to the Authority to be reasonable where:
  - (i) the licensee and the other gas transporter have failed to agree the extent of the responsibility of each of them (where relevant) in relation to any failure to meet a prescribed level of performance pursuant to any provision of the Regulations referred to in paragraph 1, as provided for in paragraph 2(b), or
  - (ii) the other gas transporter has been unable to recover from the licensee the costs that it considers are due under paragraph 2(c); and
- (e) for the licensee to pay to the other gas transporter such costs (including, where appropriate, financing costs) as may be determined under paragraph 2(d) as soon as is reasonably practicable.

## **Condition 26. Smart Metering Systems and Provision of Information to the Secretary of State**

### **Introduction**

26.1 This condition provides for the Secretary of State to be able to obtain from the licensee information, as relating to the licensee's activities or otherwise available to or held by the licensee, in respect of matters relating to the provision, installation, operation, maintenance, and use of meters.

### **Purposes**

26.2 The purposes of this condition are to ensure that the Secretary of State may obtain such Information as he may reasonably require to enable him, from time to time, to:

- (a) keep under review matters relating to the provision, installation, operation, maintenance and use of Smart Metering Systems;
- (b) identify and evaluate the costs associated with, and benefits attributable to, the provision, installation, operation, maintenance and use of Smart Metering Systems, including in particular costs savings and improvements in services resulting from changes made to energy industry activities and procedures;
- (c) decide whether or when there may be a need for him to exercise any of his powers under:
  - (i) the conditions of this licence which impose obligations or contain provisions in relation to Smart Metering Systems; or
  - (ii) section 88 of the Energy Act 2008; and
- (d) publish information in respect of the matters set out in paragraphs (a) - (c).

### **Information Request**

26.3 The Secretary of State may, for the purposes of this condition, from time to time issue a request for Information to be provided to him (an **Information Request**).

26.4 An Information Request (or any part of it) may be addressed to the licensee alone, to all Gas Transporters or to a category of Gas Transporters.

26.5 An Information Request may in particular specify:

- (a) the type and nature of Information to be provided;
- (b) that the Information is to be accompanied by such supporting documents or data as may be described;
- (c) that all or some of the specified Information shall continue to be provided at the intervals specified until such date as is specified or until the Secretary of State issues a subsequent Information Request to the licensee or to the category of Gas Transporters of which it is a member; and
- (d) the form and manner in which, and the date by which, the specified Information is to be provided.

26.6 The licensee must comply with an Information Request addressed to it or to a category of Gas Transporters of which it is a member.

26.7 The licensee must ensure that the Information it provides in response to an Information Request is complete and accurate.

26.8 The licensee is not required under this condition to provide any Information which it could not be compelled to produce or give in evidence in civil proceedings before a court.

### **Cessation**

26.9 This condition shall cease to apply to the licensee from the date which is 12 months after the date specified in paragraph 33.1 of standard condition 33 of the Standard Conditions for Gas Supply Licences.

### **Interpretation and Definitions**

26.10 In this condition:

**Information** includes information (other than information subject to legal privilege) in any form or medium and of any description specified by the Secretary of State and includes any documents, accounts, estimates, returns, records or reports and data of any kind, whether or not prepared specifically at the request of the Secretary of State.”.

**Condition 27. Adjustment of Amounts by Reference to the Retail Price Index**

1. Where it is provided in these standard conditions that an amount (“the unadjusted amount”) shall be adjusted in accordance with this condition, the adjusted amount shall be the unadjusted amount multiplied by the appropriate factor mentioned in paragraph 2.
2. The appropriate factor referred to in paragraph 1 shall be obtained by dividing the retail price index for the first month of the year beginning with an anniversary of 1 October 2001 which includes the date by reference to which the adjustment falls to be made by the retail price index for the month beginning with 1 October 2001.
3. Any reference in this condition to the retail price index is a reference to the general index of retail prices (for all items) published by The Office for National Statistics; and if that index is not published for any month that reference shall be read as a reference to any substituted index or index figures published by that office for that month.

### **Condition 28. Termination of Shipping Arrangements**

1. The licensee shall keep each relevant supplier informed of the terms which, from time to time, are specified terms for the purposes of standard condition 18 (Undertakings to Relevant Gas Transporters) of the standard conditions of gas suppliers' licences as incorporated in that supplier's licence.
  
2. Paragraph 3 shall apply where:-
  - (a) the arrangements between the licensee and a gas shipper for the conveyance of gas to any premises ("the old arrangements") have been terminated or expired by effluxion of time and have not been replaced by arrangements made with that or another gas shipper for the like purpose;
  
  - (b) by reason of sub-section (8) of section 10 of the Act (premises likely to be supplied with gas, subject to section 8A(1), in excess of 2,196,000 kilowatt hours in a twelve-month period) the licensee cannot be required (under sub-section (3) of that section) to maintain the connection of the premises mentioned in sub-paragraph (a) to its pipe-line system; and
  
  - (c) the old arrangements did not permit ~~of~~ the licensee interrupting the conveyance of gas to the premises mentioned in sub-paragraph (a) (otherwise than in the circumstances referred to in paragraph 16.1 of standard condition 16 (Security and emergency arrangements) of the standard conditions of the gas supply licence or in pursuance of directions given under section 2(1)(b) of the Energy Act 1976).
  
3. Where this paragraph applies, the licensee shall not, by reason only of the circumstances mentioned in paragraph 2(a), disconnect the premises mentioned in sub-paragraph (a) of paragraph 2:-
  - (a) if and so long as it has reasonable cause to be satisfied that it can expect that such payments as are mentioned in paragraph 4 will be made to it in respect of gas taken out of its pipe-line system for supply to the premises mentioned in sub-paragraph (a) of paragraph 2; and

- (b) unless the licensee has given 48 hours notice to the owner or the occupier of the premises mentioned in sub-paragraph (a) of paragraph 2 and to any person who, to the knowledge of the licensee, has contracted to supply gas to those premises.
  
- 4. The payments referred to in paragraph 3(a) are ones which, as nearly as may be, are the same as those which would have been attributable to the taking out of the gas for supply to the premises mentioned in sub-paragraph (a) of paragraph 2 and due under the old Arrangements if they had remained in force and had the gas shipper not, thereafter, introduced any gas into the licensee's pipe-line system nor made arrangements to do so.
  
- 5. Where the premises mentioned in sub-paragraph (a) of paragraph 2 are secondary sub-educt remises, the references to arrangements in paragraph 2(a) shall be construed as references to sub-deduct arrangements; and references in this condition to "the old arrangements" shall be construed accordingly.

### **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.

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 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 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 to 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.

**SECTION C. TRANSPORTATION SERVICES OBLIGATIONS**

**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.

### **Condition 45. Undertaking from Ultimate Controller**

1. The licensee shall procure from each company or other person which is at any time an ultimate controller of the licensee a legally enforceable undertaking in favour of the licensee in the form specified by the Authority that that ultimate controller (“the covenantor”) will refrain from any action, and will procure that any person (including, without limitation, a corporate body) which is a subsidiary of or controlled by, the covenantor (other than the licensee and its subsidiaries) will refrain from any action, which would then be likely to cause the licensee to breach any of its obligations under the Act or this licence. Such undertaking shall be obtained within 7 days of the company or other person in question becoming an ultimate controller and shall remain in force for as long as the licensee remains the holder of this licence and the covenantor remains an ultimate controller of the licensee.

2. The licensee shall:

- (a) deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with its obligation to procure undertakings pursuant to paragraph 1;
- (b) inform the Authority immediately in writing if the directors of the licensee become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached; and
- (c) comply with any direction from the Authority to enforce any such undertaking;

and shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or any of the subsidiaries of any such corporate ultimate controller (other than the subsidiaries of the licensee) at a time when –

- (i) an undertaking complying with paragraph 1 is not in place in relation to that ultimate controller; or
- (ii) there is an unremedied breach of such undertaking; or
- (iii) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 2 of this condition.

3. With effect from 1 August 2013, the licensee must, on or before 31 July of each year, provide the Authority with a schedule of the undertakings obtained in accordance with paragraph 1 that are in force at that time, together with a confirmation that the licensee has sent each of the Ultimate Controllers concerned a letter, within the preceding 12 months, reapprising that Ultimate Controller of the terms of the undertaking that it has been given.

## **PART IV. SPECIAL CONDITIONS**

### **Part A: Standard Special Conditions Applicable to both NTS and DN Licensees**

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

1. Unless the context otherwise requires, words and expressions used in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) of this licence shall bear the same meaning as set out in this paragraph, to the extent that they apply to the licensee:

“the Act”	means the Gas Act 1986;
Accurate Quotation	means a correct charge in accordance with the licensee’s published Gas Connection charging statement
“affiliate”	(a) in relation to an undertaking within the meaning of section 1161 of the Companies Act 2006 (“the principal undertaking”), a parent or subsidiary undertaking of the principal undertaking or a subsidiary undertaking of a parent undertaking of the principal undertaking, in each case within the meaning of section 1162 of that Act;  (b) in relation to any person (including such an undertaking), a connected person of that person within the meaning of section 286 of the Taxation of Chargeable Gains Act 1992;
“amount”	in relation to gas, means the energy content thereof expressed in kilowatt hours;
“ appropriate auditors”	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 which is required by the law of a country or territory within the European Economic Area to 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 Authority” means the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000;

“balancing” in relation to a pipe-line system to which this licence relates and in relation to each day, means the taking of such measures as may be available to the licensee, in particular measures affecting the relationship between deliveries of gas to and offtakes of gas from such pipe-line system on the day in question, to maintain pressures within such pipe-line system at levels which will not, in its reasonable opinion, prejudice the interests of safety or efficiency on that day or on subsequent days;

“balancing management” means the balancing of the total system through the management of inputs and offtakes of gas to and from the total system. For the avoidance of doubt such management includes but is not necessarily limited to:

- i) the acquisition or disposal of gas to replace gas lost from the system in respect of NTS shrinkage;
- ii) the licensee's functions as top-up manager; and
- (iii) the procurement of gas storage capacity for the purposes of meeting operating margins requirements (having the meaning given to that term in the network code);

“capacity rights” means rights allocated in accordance with the network code to input up to a given volume of gas to the pipe-line system to which this licence relates or offtake up to a given volume of gas from the pipe-line system to which this licence relates;

“charging methodology” for the purposes of Standard Special Condition A5 (Obligations as Regard Charging Methodology) and Standard Special Condition A12 (Joint Office Governance Arrangements) only, has the meaning given in Standard Special Condition A5 (Obligations as Regard Charging Methodology);

“Citizens Advice”	means the National Association of Citizens Advice Bureaux;
“Citizens Advice Scotland”	means the Scottish Association of Citizens Advice Bureaux;
“compliance officer”	for the purposes of Standard Special Condition A34 (Appointment of Compliance Officer) only, has the meaning given in that condition;
“constraint management”	means the management of capacity rights;
“constraint management services”	means services in relation to the management of capacity rights;
Consumer Scotland	Means the body corporate established by the Consumer Scotland Act 2020;
Controlled Gas Escape or Other Controlled Gas Emergency	means a gas escape or other gas emergency where the person reporting the escape or other emergency, after carrying out (or causing to be carried out) the actions advised by the telephone service, advises the operator that the escape of gas or other emergency appears to have ceased
“the court”	means, in relation to England and Wales, the High Court and, in relation to Scotland, the Court of Session;
“cross-default obligation”	for the purposes of Standard Special Condition A39 (Indebtedness) only, has the meaning given in that condition;
“customer”	means domestic and non-domestic customers and prospective customers of licensed gas suppliers, gas shippers, gas suppliers, Independent Gas Connection Providers, licensed gas transporters or any other person requesting Gas Connection services specified under paragraph 1(a) of Standard Special Condition D10 (Quality of Service Standards)
Customer Objective	means the Fair treatment of each Domestic Customer, including each Domestic Customer in a Vulnerable Situation by the Licensee and any Representative
Data Assurance Guidance (DAG)	means the document issued by the Authority from time to time pursuant to a direction under Condition A55

“de minimis business” for the purposes of Standard Special Condition A30 (Regulatory Accounts) and Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing) only, has the meaning given in Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing);

“derivative” shall have the meaning given to it in the Glossary to the Handbook of Rules and Guidance issued by the Financial Services Authority pursuant to the Financial Services and Markets Act 2000 as at 1 April 2002;

“designated registrar of pipes” means the person designated by the Authority to fulfil that role pursuant to Standard Special Condition A49 (Designated Registrar of Pipes);

“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 IP completion day as read with the modifications set out in the Act.

Disconnection means an isolation of a service pipe, pipes or gas assets and, where required, mains feeding multiple properties

Diversion means work to relocate existing assets, mains and/or associated services

“disposal” for the purposes of Standard Special Condition A27 (Disposal of Assets) only, has the meaning given in that condition;

“distribution network” means a gas distribution network as defined with reference to the aggregate of its constituent local distribution zones (as defined in the Uniform Network Code (“LDZs”)) in accordance with the table set out below:

<b>Distribution Network</b>	<b>LDZ</b>
East of England	East Midlands, Eastern
London	North Thames
North West	North West

West Midlands	West Midlands
Northern	Northern, North East
Scotland	Scotland
Southern	South East, Southern
Wales and West	Wales North, Wales South, South West

“DN operator”	means the holder of a licence granted or treated as granted under section 7 of the Gas Act 1986 in relation to one or more distribution networks who is obliged to comply with one or more conditions in Standard Special Conditions Part D.;
“Domestic Customer”	means a person supplied or requiring to be supplied with gas at Domestic Premises (but excluding such a person in so far as he is supplied or requires to be supplied at premises other than Domestic Premises);
“domestic premises”	means premises at which a gas supply is taken wholly or mainly for domestic purposes;
Emergency Service Provider	shall have the same meaning as in the Gas Safety (Management) Regulations 1996
ECP Guidance	means the document issued by the Authority in accordance with Standard Special Condition A57 (Exit Capacity Planning).
Fair	The licensee or any representative would not be regarded as treating a Domestic Customer fairly if their actions or omissions give rise to a likelihood of detriment to the Domestic Customer, unless the detriment would be reasonable in all the relevant circumstances.
Fair Treatment Guidance	Means the document of that name published on the Authority’s website
Financial Resilience report	means the report prepared by the licensee pursuant to Part C of Standard Special Condition A38: Credit Rating of the Licensee and related obligations

“financial year”	means, subject to Standard Special Condition A30 (Regulatory Accounts) (where applicable), a period of 12 months beginning on 1 <sup>st</sup> April of each year and ending on 31 <sup>st</sup> March of the following calendar year;
Flow Rate	means the rate at which energy is or may be delivered to the pipe-line system to which this licence relates expressed in GW
“formula year”	means a period of twelve months commencing on 1 April at 05:00 hours;
“gas”	in relation to storage, includes gas in a liquid state and “storage”, in relation to gas in either a gaseous or liquid state, means storage in, or in a facility which is connected (directly or indirectly) to, the pipe-line system to which this licence relates and cognate expressions shall be construed accordingly;
Gas Connection	means the Gas Connection of a service (or any part thereof) under sections 9(1)(b) and 10(2) of the Act for:  (a) the establishment of a new Gas Connection; or  (b) the alteration of an existing Gas Connection to premises on the transportation system;  where a service means a pipe (if any) installed or to be installed between any main and any emergency control valve at the relevant premises.
Gas Entry Agreement	means an agreement made between the licensee and another person for connection to the pipe-line system to which this licence relates at a gas entry point for the purpose of introducing gas into that pipe-line system and/or the delivery of gas onto that pipe-line system
Gas Entry Point	means a point at which gas may be introduced into the pipe-line system to which this licence relates, but does not include any point at which such pipe-line system is connected to the pipe-line system of either the NTS operator or another DN operator.
“gas shipper”	shall have the meaning given to it in section 7A(11) of the Act;
“holding company”	means a holding company within the meaning of section 1159 of the Companies Act 2006;

NTS GT licence

Housekeeping  
Modification  
Working Group

means a working group established for the purposes of considering proposed Housekeeping Modifications under Standard Special Condition A56 (Housekeeping licence modifications).

Housekeeping  
Modification

means minor changes such as:

- (a) renumbering of paragraphs, capitalising defined terms and deleting transitional provisions that have expired;
- (b) corrections of evident mistakes including typographical errors, incorrect cross-references and formatting errors;
- (c) updates to:
  - (i) version numbers of other documents mentioned in the licence;
  - (ii) the titles of re-enacted legislation;
  - (iii) names of bodies that have been renamed.

“indebtedness”

for the purposes of Standard Special Condition A39 (Indebtedness) only, has the meaning given in that condition;

Independent Gas  
Connection  
Provider

means any person that provides consultancy and/or engineering services in relation to Gas Connections on behalf of customers, gas shippers, gas suppliers and gas transporters

“independent  
system”

means a pipe-line system in Great Britain to which this licence relates which includes relevant mains and which is not connected (directly or indirectly) by pipes to the mainpipeline system of a relevant gas transporter;

“information”

shall include any documents, accounts, estimates, returns, records or reports and data in written, verbal or electronic form and information in any form or medium whatsoever (whether or not prepared specifically at the request of the Authority or Citizens Advice or Citizens Advice Scotland or Consumer Scotland) or of any description specified by the Authority;

“information  
covenantor”

for the purposes of Standard Special Condition A26 (Provision of Information to the Authority) only, has the meaning given in that condition;

Instrument Credit Rating	<p>means:</p> <ul style="list-style-type: none"><li>(a) a “Long-Term Issue Credit Rating” by Standard &amp; Poor’s Ratings Group or any of its subsidiaries;</li><li>(b) a “Long-Term Obligation Rating” by Moody’s Investors Services Inc. or any of its subsidiaries;</li><li>(c) a rating on the “Structured, Project &amp; Public Finance Obligations Long Term Ratings Scale” by Fitch Ratings Ltd or any of its subsidiaries;</li><li>(d) a rating which, the Authority directs, is equivalent to those referred to in sub-paragraphs (a), (b), or (c) and issued by:<ul style="list-style-type: none"><li>(i) any of the credit rating agencies as referred to in sub-paragraphs (a), (b), or (c); or</li><li>(ii) any other reputable credit rating agency which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America</li></ul></li></ul>
“investment”	<p>for the purposes of Standard Special Conditions A36 (Restriction on Activity and Financial Ring Fencing) and A39 (Indebtedness) only, has the meaning given in Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing);</p>
“investment grade”	<p>means in relation to any Issuer Credit Rating or Instrument Credit Rating unless otherwise directed:</p> <ul style="list-style-type: none"><li>(a) one of the following:<ul style="list-style-type: none"><li>(i) a rating of not less than BBB- by Standard &amp; Poor’s Ratings Group or any of its subsidiaries;</li><li>(ii) a rating of not less than Baa3 by Moody’s Investors Service Inc. or any of its subsidiaries;</li><li>(iii) a rating of not less than BBB-by Fitch Ratings Ltd or any of its subsidiaries;</li><li>(iv) in relation to Issuer Credit Ratings only, a rating of not less than BBB (low) by DBRS Ratings Limited or any of its affiliates; or</li></ul></li></ul>

(v) a rating which, the Authority directs, is equivalent to those referred to in sub-paragraphs (i), (ii), (iii) and (iv) issued by:

(aa) any of the credit rating agencies referred to in sub-paragraphs (i), (ii), (iii) or (iv);

(bb) any other reputable credit rating agency which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America; or

(b) such higher rating as may be specified by those agencies from time to time as the lowest investment grade credit rating.

“IP completion day” has the same meaning as that given in section 39(1) of the European Union (Withdrawal) Act 2020

“issuer credit rating” means:

(a) an issuer credit rating by Standard & Poor’s Ratings Group or any of its subsidiaries;

(b) an issuer credit rating by Moody’s Investors Service Inc. or any of its subsidiaries;

(c) an issuer credit rating by Fitch Ratings Ltd or any of its subsidiaries;

(d) an issuer credit rating by DBRS Ratings Limited or any of its affiliates; or

(e) a rating which, the Authority directs, is equivalent to those referred to in sub-paragraphs (a), (b), (c) or (d) and issued by:

(i) any of the credit rating agencies as referred to in sub-paragraphs (a), (b), (c) or (d); or

(ii) any other reputable credit rating agency which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America.

Land Enquiry means:

- (a) a request by a customer for an indication of the availability of gas, an estimate of pressure that is or may become available, an estimate of the cost of the relevant Gas Connection; and
- (b) where appropriate, the approval of a design for the provision of a new Gas Connection, alteration of an existing Gas Connection, or a Disconnection.

“last resort supplier” for the purposes of Standard Special Condition A50 (System Development Obligations) only, has the meaning given in that condition;

“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;

“licensee” means the holder of this licence in its capacity as:-

- (a) NTS operator; or
- (b) DN operator

and, for the avoidance of doubt, nothing in this definition shall prevent a single legal entity being both an NTS operator and a DN operator. This definition will apply other than in relation to the following conditions: Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing), Standard Special Condition A37 (Availability of Resources), Standard Special Condition A38 (Credit Rating of the Licensee) and Standard Special Condition A39 (Indebtedness) to the extent that the provisions have effect in this licence;

“main administration service” for the purposes of Standard Special Condition A49 (Designated Registrar of Pipes) only, has the meaning given in that condition;

Maximum Flow Rate means the highest rate at which energy is or may be delivered to the pipe-line system to which this licence relates expressed in GW

“metering activities”	means tariff capped metering activities and non-tariff capped metering activities;
"metering business"	means the activities of the licensee in connection with the provision of metering services;
"metering equipment"	means the whole or part of the Supply Meter Installation as defined in Section M, paragraph 1.2 of Transco plc's Network Code as at 1 April 1997 as defined within Amended Standard Condition 9 (Network Code) of Transco plc's gas transporter licence on that date;
"metering services"	means the provision, installation, commissioning, inspection, repairing, alteration, repositioning, removal, renewal and maintenance of metering equipment;
"meter reading business"	means the activities of the licensee in connection with the provision of meter reading services;
"meter reading services"	means the retrieval and verification of meter reading data from gas meters, the inspection of the meter from which data is retrieved and the delivery of such data to any relevant person for the purpose of data processing, other than in relation to meter readings that the licensee obtains on its own behalf for the purpose of securing the efficient and economical physical operation of the pipe-line system to which this licence relates;
Negative Rating Action	means a rating agency placing a rating on Negative Watch or a rating agency downgrading a rating to a lower rating
Negative Watch	means the mechanism or mechanisms used by the relevant credit rating agency to identify an issuer that is at risk of a credit rating downgrade in the short or long term, including but not limited to negative designations of S&P CreditWatch, S&P Outlook, Fitch Rating Watch, Fitch Outlook, Moody's Watchlist, or Moody's Rating Outlook, as defined on the relevant rating agencies' websites from time to time.
“network code”	means the document prepared by or on behalf of the licensee pursuant to paragraph 3 of Standard Special Condition A11 (Network Code and Uniform Network Code), (as that document is modified from time to time pursuant to that condition) and where

	the context requires, references to network code shall include the uniform network code to the extent that it is incorporated by reference;
“network code modification procedures”	for the purposes of Standard Special Condition A11 (Network Code and Uniform Network Code) and Standard Special Condition A12 (Joint Office Governance Arrangements), has the meaning given in Standard Special Condition A11 (Network Code and Uniform Network Code);
“network emergency co-ordinator”	for the purposes of Standard Special Condition A8 (Emergency Services and Enquiry Services Obligations) only, has the meaning given in that condition;
“non-domestic customer”	means a customer of a gas supplier who is not a domestic customer;
Non-Standard Quotation	means a quotation other than a standard quotation (but excluding a self-quote).
“non-tariff capped metering activities”	means all metering activities (including for the avoidance of doubt meter reading) provided by the licensee other than tariff-capped metering activities;
“NTS”	means the national transmission system as defined in the network code;
“NTS exit capacity”	shall have the meaning given to the terms “NTS Exit Capacity” and “NTS Offtake Capacity” in the network code;
“NTS exit flat capacity”	shall have the meaning given to the term “NTS Offtake (Flat Capacity)” in the network code;
“NTS exit flow flexibility”	shall have the meaning given to the term “NTS Offtake (Flexibility) Capacity” in the network code;
“NTS operator”	means the holder of a licence granted or treated as granted under section 7 of the Gas Act 1986 in relation to the NTS who is obliged to comply with one or more conditions in Standard Special Conditions Part B.
“NTS shrinkage”	means the sum of NTS own use gas and NTS unaccounted for gas (both having the meanings given to those terms in the network code);

“owned”	in relation to a gas meter or other property, includes leased and cognate expressions shall be construed accordingly;
“participating interest”	has the meaning given in regulations made under Part 15 of the Companies Act 2006;
“permitted purpose”	means the purpose of all or any of the following: (a) the transportation business; (b) the metering business; (c) the meter reading business; (d) any other business or activity within the limits of paragraph 4 of Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing); and/or  without prejudice to the generality of paragraphs (a) to (d), any payment or transaction lawfully made or undertaken by the licensee for a purpose within sub-paragraphs 1(b)(i) to (vii) of Standard Special Condition A39 (Indebtedness);
Potential Mitigating Actions	means actions designed to improve the Issuer Credit Rating, Significant Instrument Credit Rating and/or financial resilience, including but not limited to:  (a) dividend restraint;  (b) equity injection or other additional sources of finance;  (c) profiling of investment within the Price Control Period;  (d) cost reduction;  (e) profiling of financial liabilities within the Price Control Period; and  (f) if relevant, negotiations with lenders regarding covenants and possible exemptions
“primary sub-deduct premises”	means premises to which gas is conveyed by a gas transporter before being conveyed to secondary sub-deduct premises;
Price Control Period	Means the period of five years beginning on 1 April 2021 and ending on 31 March 2026
Priority Services Codes	means the codes belonging to the Priority Services Codes category, as defined in the ‘Market Domain Data’ document,

	which is comprised within the 'Supply Point Administration Agreement' industry code (or any successor) that relates to transferring data about Vulnerable Customers.
Published Rating Report	means a rating action announcement, credit opinion report, rating report, research update or transaction update which:  (a) specifically relates to the licensee; and  (b) is published by any rating agency that is paid by the licensee (or a company in the licensee's group) to provide either an Issuer Credit Rating or a Significant Instrument Credit Rating
"quantity" and "volume" "the Regulation"	in relation to gas are synonymous;  means Regulation 2009/715/EC of the European Parliament and of the Council of 13 July 2009 on conditions for access to the national gas transmission networks and repealing Regulation 2005/1775/EC, as amended by Commission Decision 2010/685/EU of 10 November 2010;
"regulatory accounts"	for the purposes of Standard Special Condition A30 (Regulatory Accounts) only, has the meaning given in that condition;
Regulatory Period	means each period of 12 months starting on 1 April
Regulatory Year	means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00. The first such Regulatory Year (t=1) commences on 1 April 2021 at 05:00 hours.
"related undertaking"	in relation to any person, means any undertaking (within the meaning of section 1161 of the Companies Act 2006) in which such person has a participating interest;
"relevant customer"	for the purposes of Standard Special Condition A8 (Emergency Services and Enquiry Service Obligations) only, has the meaning given in that condition;
"relevant gas transporter"	means a gas transporter who is a DN operator or an NTS operator;

“relevant methodology objective”	for the purposes of Standard Special Condition A5 (Obligations as Regard Charging Methodology) only, has the meaning given in that condition;
“relevant objectives”	for the purposes of Standard Special Condition A11 (Network Code and Uniform Network Code) only, has the meaning given in that condition;
“relevant period”	for the purposes of Standard Special Condition A50 (System Development Obligations) only, has the meaning given in that condition;
“relevant shipper”	means, in relation to any premises, a gas shipper which has made arrangements with the licensee in pursuance of which gas is conveyed to those premises, and, in relation to any secondary sub-deduct premises, such arrangements shall be deemed to have been made where, in pursuance of arrangements made by a gas shipper, gas is taken out of the pipe-line system to which this licence relates at the relevant primary sub-deduct premises with a view to its conveyance to those secondary sub-deduct premises. This definition will apply other than in relation to the following conditions: (to the extent that the provisions have effect in this licence), Standard Special Condition A11 (Network Code and Uniform Network Code) and Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business);
“relevant supplier”	means in relation to any premises, a gas supplier which supplies to those premises gas which is conveyed thereto (or, where the premises are secondary sub-deduct premises) by the licensee. This definition will apply other than in relation to the following condition: Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business);
“relevant year”	for the purposes of Standard Special Condition A48 (Last Resort Supply: Payment Claims) only, has the meaning given in that condition;

Representative	in relation to the licensee, means any person directly or indirectly authorised to represent the licensee in its dealings with Domestic Customers
“retail price index”	means the general index of retail prices published by the Office for National Statistics each month in respect of all items or:- (a) if the index for any month in any year shall not have been published on or before the last day of the third month after such month, such index for such month or months as the Authority may after consultation with the licensee and for the purposes of this condition generally determine to be appropriate in the circumstances; or (b) if there is a material change in the basis of the index, such other index as the Authority may after consultation with the licensee and for the purposes of this condition generally determine to be appropriate in the circumstances;
“Retained EU Law”	has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018.
“risk criteria”	for the purposes of Standard Special Condition A50 (System Development Obligations) only, has the meaning given in that condition;
“routing guidelines”	for the purposes of Standard Special Condition A50 (System Development Obligations) only, has the meaning given in that condition;
“secondary sub-deduct premises”	means premises to which gas is conveyed in pursuance of an exemption from section 5(1)(a) of the Act granted under section 6A thereof, for supply by a gas supplier;
Self-Quote	means a quotation produced by the customer for the provision of a new or alteration of an existing Gas Connection in accordance with any conditions published by the licensee to enable the customer to calculate the cost of the relevant works.
Significant Instrument Credit Rating	means an Instrument Credit Rating relating to debt issued by the licensee or a funding vehicle of the licensee which represents more than 10% of the licensee’s total debt

- “specified amount” for the purposes of Standard Special Condition A48 (Last Resort Supply: Payment Claims) only, has the meaning given in that condition;
- Specified Information means as a minimum:
- (a) the number of requests which the licensee has received for each of the services referred to in paragraph 1(a) of Standard Special Condition D10 (Quality of Service Standards);
  - (b) the number of requests for each of the services referred to in paragraph 1(a) of Standard Special Condition D10 (Quality of Service Standards) in respect of which the licensee has provided the requested service within the timescales set out in paragraph 2(a)-(f) of Standard Special Condition D10 (Quality of Service Standards);
  - (c) the number of requests for each of the services referred to in paragraph 1(a) of Standard Special Condition D10 (Quality of Service Standards) in respect of which the licensee has not provided the requested service within the timescales set out in paragraph 2(a)-(f) of Standard Special Condition D10 (Quality of Service Standards);
  - (d) the amount (if any) paid for the purposes of refunding customers for failure to provide an accurate quotation;
  - (e) the amount of compensation (if any) paid by the licensee for the purpose of compensating customers entitled to compensation under regulations made under section 33AA of the Act;
  - (f) the number of times any payment caps specified under regulations made under section 33AA of the Act have been reached;
  - (g) the results of any audit carried out under paragraph 7 of Standard Special Condition D10 (Quality of Service Standards).above;
  - (h) the number of Gas Connection, Disconnection and Diversion requests under paragraph 1(a) of Standard Special

Condition D10 (Quality of Service Standards) that the licensee has identified as falling within the categories set out in paragraph 8 of Standard Special Condition D10 (Quality of Service Standards);

- (i) the number of calls received under paragraph 1(b) of Standard Special Condition D10 (Quality of Service Standards) and the number of calls in respect of which the licensee has provided the requested service within the timescales set out in paragraph 2(g)(i) and 2 (g)(ii) of Standard Special Condition D10 (Quality of Service Standards);
- (j) the number of reports received under paragraph 1(c) of Standard Special Condition D10 (Quality of Service Standards) that the licensee has identified as falling within the category set out in paragraph 2(h)(i)(a) or 2(h)(i)(b) of Standard Special Condition D10 (Quality of Service Standards) and the number of reports in respect of which the licensee has provided the requested service within the timescales set out in paragraph 2(h)(i)(a) and 2(h)(i)(b) of Standard Special Condition D10 (Quality of Service Standards) respectively.

Standard Quotation	means a standard quotation (excluding a self-quote) that does not require a site visit
Standards of Conduct	means the standards set out in paragraph 4 of Standard Special Condition D21
“statutory accounts”	means the accounts that the licensee prepares under the Companies Act 2006
“subsidiary”	means a subsidiary within the meaning of section 1159 of the Companies Act 2006;
Substantial Completion	means that the Gas Connection and the emergency control valve to the premises has been installed and commissioned
“supply of transportation services”	means the undertaking and performance for gain or reward of engagements –

- (a) in connection with the conveyance of gas through the transportation system;
- (b) for the prevention of the escape of gas which has been taken off the transportation system; and
- (c) relating to the acquisition of capacity rights, gas or gas derivatives for the purpose of:
  - (i) **facilitating balancing management<sup>1</sup>; and**
  - (ii) constraint management; not being the provision of metering services or the provision of meter reading services. This definition will apply other than in relation to the following conditions: Standard Special Condition A5 (Obligations as Regard Charging Methodology), and Special Condition 1C (NTS definition of supply of transportation services) applicable to the NTS operator, to the extent that these provisions have effect in this licence.

“supply point information service”

for the purposes of Standard Special Condition A31 (Supply Point Information Service) only, has the meaning given in that condition;

“tariff capped metering activities”

in respect of a DN operator, shall have the meaning given to that term in Special Condition D (Restriction of prices in respect of tariff capped metering activities) applicable to the DN operator.

“top-up manager”

shall have the meaning given to that term in the network code;

“total system”

means the pipe-line system to which this licence relates, together with any other pipe-line system operated by the licensee and the pipe-line systems of all other relevant gas transporters as further described in the network code;

“trading business”

for the purposes of Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business) only, has the meaning given in that condition;

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<sup>1</sup> Additional text inserted by special condition 1.2

“Transco plc”

means the company (registered in England and Wales under company registration number 2006000) which had that name on 1 October 2001 whether or not it previously had a different name and whether that name is subsequently changed;

“transportation arrangements”

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

- (a) facilities for the storage of gas in so far as the licensee uses them in connection with its independent systems, including such facilities so used for the purpose of conveying gas to such a system; or
- (b) storage facilities used by the licensee solely for the diurnal storage of gas which has been introduced into its pipe-line system,

but excepting arrangements relating to services supplied pursuant to Standard Special Condition D18 (Provision of Metering and Meter Reading Services). This definition will apply other than in relation to the following conditions (to the extent that the provisions have effect in this licence): Standard Special Condition A4 (Charging – General), Standard Special Condition A5 (Obligations as Regard Charging Methodology), Standard Special Condition A7 (Requirement to Enter into Transportation Arrangements in conformity with the Network Code), Standard Special Condition A11 (Network Code and Uniform Network Code), and Special Condition 7A (Long Term Development Statement) applicable to the NTS operator;

“transportation asset”

for the purposes of Standard Special Condition A27 (Disposal of Assets) only, has the meaning given in that condition;

“transportation business”

means the activities of the licensee connected with the development, administration, maintenance, and operation of the transportation system and with the supply of transportation services but excluding the metering business and the meter reading business. This definition will apply other than in relation to the following conditions (to the extent that the provisions have effect in this licence): Standard Special Condition A5 (Obligations as Regard Charging Methodology), Standard Special Condition A6 (Conduct of Transportation Business), Standard Special Condition A26 (Provision of Information to the Authority), Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business), Standard Special Condition A35 (Prohibition of Cross Subsidies), Special Condition 11B (Allocation of revenues and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity) applicable to the licensee NTS operator and Special Condition 4B (Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network) applicable to the DN operator;

“transportation system”

means the facilities to which this licence relates which are used by the licensee for the conveyance of gas within Great Britain;

“ultimate controller”

means:-

- (a) a holding company of the licensee which is not itself a subsidiary of another company;
- (b) any person who (whether alone or with a person or persons connected with him) is in a position to control, or to exercise significant influence over, the policy of the licensee or any holding company of the licensee by virtue of:
  - (i) rights under contractual arrangements to which he is a party or of which he is a beneficiary; or
  - (ii) rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by him or of which he is a beneficiary,

but excluding any director or employee of a corporate body in his capacity as such; and

(c) for the purposes of sub-paragraph (b), a person is connected with another person if they are party to any arrangement regarding the exercise of any such rights as are described in that paragraph;

“uniform network code”

means the document prepared by the licensee together with other relevant gas transporters pursuant to Standard Special Condition A11 (Network Code and Uniform Network Code) (as from time to time modified pursuant to that condition); and

Vulnerable Situation

means a situation resulting from a combination of the personal circumstances and characteristics of a Domestic Customer with aspects of the market so that that the Domestic Customer in question is:

- (a) significantly less able than a typical Domestic Customer to protect or represent their interests; or
- (b) significantly more likely to suffer detriment or more substantial detriment than a typical Domestic Customer.

“working day”

means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday within the meaning of the Banking and Financial Dealings Act 1971.

- 1A. Any reference in this condition to the provisions of the Companies Act 2006 shall before 6 April 2008 be construed as a reference to the corresponding provisions of the Companies Act 1985 or the Companies Act 1989 where applicable in force on 31 March 2008.
2. In the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same have effect in this licence) except where the context otherwise requires –
  - (a) any reference to **“the relevant primary sub-deduct premises”**, in relation to any secondary sub-deduct premises, is a reference to the primary sub-

deduct premises to which gas was conveyed before its conveyance to those secondary sub-deduct premises;

- (b) any reference to “**sub-deduct arrangements**”, in relation to any secondary sub-deduct premises, is a reference to arrangements which a gas shipper makes with the licensee in pursuance of which gas is taken out of the pipeline system to which this licence relates at the relevant primary sub-deduct premises with a view to its conveyance to those secondary sub-deduct premises; and/or
  - (c) any reference to “customer” shall, notwithstanding paragraph 3 include a person who is supplied with gas at secondary sub-deduct premises.
3. Any words or expressions used in the Utilities Act 2000 or Part I of the Act shall, unless contrary intention appears, have the same meanings when used in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same have effect in this licence).
4. Except where the context otherwise requires, any reference to a numbered Standard Special Condition (with or without a letter), Special Condition applicable to the licensee (with or without a letter) or Schedule is a reference to the Standard Special Condition (with or without a letter), Special Condition applicable to the licensee (with or without a letter) or Schedule bearing that number in this licence, and any reference to a numbered paragraph (with or without a letter) is a reference to the paragraph bearing that number in the Standard Special Condition, Special Condition applicable to the licensee or Schedule in which the reference occurs, and any reference to a numbered part is a reference to the part bearing that number in this licence.
5. The conditions in this Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same have effect in this licence) shall have effect as if, in relation to a licence holder who is a natural person, for the words “it”, “its” and

“which” there were substituted the words “she”, “her”, “hers” and “whom”, and cognate expressions shall be construed accordingly.

6. Except where the context otherwise requires, a reference in a Standard Special Condition or Special Condition applicable to the licensee to a paragraph is a reference to a paragraph of that condition and a reference in a paragraph to a sub-paragraph is a reference to a sub-paragraph of that paragraph.
7. Any reference in the conditions contained in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same have effect in this licence) to -
  - (a) a provision thereof;
  - (b) a provision of the standard conditions of gas transporters' licences;
  - (c) a provision of the standard conditions of gas shippers' licences, or
  - (d) a provision of the standard conditions of gas suppliers' licences,shall, if these conditions or the standard conditions in question come to be modified, be construed, so far as the context permits, as a reference to the corresponding provision of these or the other standard conditions in question as modified.
8. In construing the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same have effect in this licence), the heading or title of any Standard Special Condition or Special Condition applicable to the licensee or paragraph shall be disregarded.
9. Any reference in a Standard Special Condition or Special Condition which has effect in this licence to the purposes of that condition generally is a reference to the purposes of that condition as incorporated in this licence and as incorporated in each other licence under section 7 of the Act (whenever granted) which incorporates it.

10. Where any obligation of the licence is required to be performed by a specified date or time, or within a specified period, and where the licensee has failed so to perform, such obligation shall continue to be binding and enforceable after the specified date or time, or after the expiry of the specified period (but without prejudice to all the rights and remedies available against the licensee by reason of the licensee's failure to perform by that date or time, or within that period).
11. Where a condition in this licence refers to the consent or approval of the Authority, such consent or approval may be made subject to such conditions as the Authority may specify.
12. Anything required by or under the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same has effect in this licence) to be done in writing may be done by facsimile transmission of the instrument in question or by other electronic means and, in such case:
  - (a) the original instrument or other confirmation in writing shall be delivered or sent by pre-paid first-class post as soon as is reasonably practicable, and
  - (b) where the means of transmission had been agreed in advance between the parties concerned, in the absence of and pending such confirmation, there shall be a rebuttable presumption that what was received duly represented the original instrument.
13. The definitions referred to in this condition may include some definitions which are not used or not used exclusively in Standard Special Conditions or Special Conditions applicable to the licensee which are incorporated in all gas transporter licences. Where -
  - (a) any definition is not used in the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to

the extent that the same has effect in this licence), a definition shall, for the purposes of this licence, be treated -

- (i) as part of the Standard Special Condition or Special Condition applicable to the licensee in which it is used; and
  - (ii) as not having effect in the licence until in relation to Standard Special Conditions, such time as the Standard Special Condition in which the definition is used has effect within the licence as a result of any direction issued pursuant to Standard Special Condition A1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to both NTS and DN licensees), Standard Special Condition B1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to NTS licensees) or Standard Special Condition D1 (Application/Disapplication of standard conditions in Section A (Interpretation, Application and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to DN licensees) or, in relation to Special Conditions when such condition has been inserted into the licence with the consent of the licensee;
- (b) any definition which is used in the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same has effect in this licence) is also used in one or more other Parts -
- (i) that definition shall only be modifiable in accordance with the modification process applicable to each of the Standard Special Conditions or Special Conditions applicable to the licensee in which it is used; and

- (ii) if any such Standard Special Condition or Special Condition applicable to the licensee is modified so as to omit that definition, then the reference to that definition in this condition shall automatically cease to have effect.

14. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978 -

- (a) the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) (to the extent that the same have effect in this licence) shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978, and
- (b) words or expressions used in the conditions in Part A: Standard Special Conditions applicable to both NTS and DN licensees, Part B: Standard Special Conditions applicable to all NTS licensees, Part C: Special Conditions applicable to the licensee (NTS), Part D: Standard Special Conditions applicable to all DN licensees, and/or Part E: Special Conditions applicable to the licensee (DN) to the extent that the same have effect in this licence which are also used in Part I of the Act or in the standard conditions of gas transporters licences shall, unless the contrary intention appears, have the same meaning when used in these conditions.

15. For the avoidance of doubt, if, pursuant to a direction issued pursuant to Standard Special Condition A1 (Application/Disapplication of standard conditions in Section A (Interpretation and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to both NTS and DN licensees), Standard Special Condition B1 (Application/Disapplication of standard conditions in Section A (Interpretation and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to NTS licensees) or Standard Special Condition D1 (Application/Disapplication of standard conditions in Section A (Interpretation and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to DN licensees), any standard condition ceases to have effect, any references to such standard condition in any condition in this licence (including for the avoidance of doubt any other standard condition) shall be construed, so far as the context permits, as a reference to the corresponding

provision of the Standard Special Conditions or Special Conditions applicable to the licensee which have been made effective pursuant to such direction in place of such standard condition.

16. Where a single legal entity holds more than one licence granted or treated as granted under section 7 of the Gas Act 1986, the provisions of these Standard Special Conditions apply separately in relation to the relevant licence; except Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing), Standard Special Condition A37 (Availability of Resources) and Standard Special Condition A39 (Indebtedness) which apply to the single legal entity that holds the licences.

**Standard Special Condition A4. Charging – General**

1. The licensee shall furnish the Authority with a statement of -
  - (a) the charges to be made in pursuance of transportation arrangements, other than those sold by way of auction pursuant to which the price payable for such transportation arrangements is determined, with specified descriptions of gas shippers **and/or DN operators as appropriate**<sup>2</sup> in different specified cases or descriptions of cases;
  - (b) the reserve price, if any, to be applied in any auction in respect of transportation arrangements; and
  - (c) the methods by which, and the principles on which, those charges or reserve prices are determined in accordance with the methodology referred to in paragraph 5;

and, without prejudice to paragraph 2, if any change is made in the charges to be so made, or in the reserve prices to be applied, or in the methods by which, or the principles on which, those charges or reserve prices are to be so determined, the licensee shall, before the change takes effect or, if that is not reasonably practicable, as soon as is reasonably practicable thereafter, furnish the Authority with a revision of the statement or, if the Authority so accepts, with amendments to the previous statement, which reflect the change.

2. The licensee shall –
  - (a) **use its reasonable endeavours:**
    - (i) **not to make any changes to the charges or reserve prices mentioned in paragraph 1 more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may by notice in writing direct; and**
    - (ii) **not to make any changes to charges or reserve prices in relation to NTS exit capacity and NTS exit flow flexibility more frequently than once in each formula year and for such changes to take place on 1 October in each formula year or at such other time as the Authority may by notice in writing direct;**

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<sup>2</sup> Additional text inserted by special condition 1.2  
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**(b) subject to sub-paragraph (a) above, if the licensee makes changes to the charges or reserve prices mentioned in paragraph 1 on dates other than those specified in sub-paragraphs (a) (i) and (a) (ii), inform the Authority in writing as soon as is reasonably practicable after the decision is made to make such a change to charges, and, in any event, not later than three months after the charge change has been implemented:**

- (i) stating the reasons for this change; and**
- (ii) clearly identifying whether any of the information provided as part of the statement of reasons for the change is of a confidential nature<sup>3</sup>;**

(c) comply with the joint governance arrangements (as defined in Standard Special Condition A12 (Joint Office Governance Arrangements)) to the extent that such arrangements relate to the administration of any changes referred to in sub-paragraph (a), if applicable, whether made by the licensee and/or any other relevant gas transporter;

(d) give the Authority notice of any proposals which it is considering, to change the charges or reserve prices mentioned in paragraph 1, together with a reasonable estimate of the effect of the proposals (if implemented) on those charges or auctions for which the reserve prices are to be applied, and shall use all reasonable endeavours to do so at least 150 days before the proposed date of their implementation; and

(e) where the licensee has decided to implement any proposals to change the charges or reserve prices mentioned in paragraph 1, give the Authority notice of this decision and the date on which the proposals will be implemented which shall not, unless the Authority otherwise consents, be less than a month after that on which the notice required by this sub-paragraph was given.

2A. In relation to any information provided under sub-paragraph (b) of paragraph 2, if applicable, the Authority:

- (i) may, if it considers that the information provided is insufficient, request by notice in writing that this information be supplemented with such additional material as it considers appropriate; and

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<sup>3</sup> Additional text inserted by special condition 1.2

- (ii) shall make public the information (other than any confidential information) supplied by the licensee in any statement made under sub-paragraph (b) of paragraph 2 and, if applicable, any supplementary information provided to the Authority following its receipt in response to a request under sub-paragraph (i).
- 3. The licensee shall -
  - (a) publish any statement, or revision or amendment of a statement, furnished, or notice given, under paragraph 1 or 2 in such manner as will, in its reasonable opinion, secure adequate publicity for it; and
  - (b) send a copy of any such statement, revision, amendment or notice so published to any person who asks for one.
- 4. Except in a case in which the Authority accepts otherwise, the licensee shall only enter into transportation arrangements which either
  - a. secure that the charges in pursuance thereof will be in conformity with the statement last published under paragraph 3 either -
    - (i) before it enters into the arrangements; or
    - (ii) before the charges in question from time to time fall to be made,and, for the purposes of this paragraph, the reference to the statement last published under paragraph 3 shall be construed, where that statement is subject to amendments so published before the relevant time, as a reference to that statement as so amended; or
  - b. are subject to prices set in an auction process which include either –
    - i. a reserve price in conformity with the statement last published under paragraph 3 before the auction took place; or
    - ii. no reserve price.
- 5. Subject to paragraph 6, if applicable, the licensee shall -
  - (a) establish a methodology showing the methods by which, and the principles on which (except in a case in which the Authority accepts otherwise) such charges as are mentioned in paragraph 1(a) and such reserve prices as are mentioned in paragraph 1(b) are to be determined; and

- (b) conform to the methodology so established as from time to time modified in accordance with Standard Special Condition A5 (Obligations as Regard Charging Methodology).

6. **NOT USED**

7. **NOT USED**

8. References in paragraphs 1 to 5 to charges do not include references to -

- (a) charges related to the acquisition or disposal of gas for purposes connected with the balancing of the pipe-line system to which this licence relates; or
- (b) the extent (if any) to which the Authority has accepted that they should, as respects certain matters, be so determined, to charges determined by reference to provisions in that behalf set out in the network code,

and, subject as aforesaid, references in this condition and in Standard Special Condition A5 (Obligations as Regard Charging Methodology) and standard condition 4B (Connection Charges etc) to charges include references to the means whereby charges may be ascertained.

9. **NOT USED**

10. **NOT USED**

11. In this condition:

**“transportation arrangements”** shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that references therein to the term “pipe-line system” shall be amended so as to refer to “pipe-line system or any part thereof”.

### **Standard Special Condition A5. Obligations as Regard Charging Methodology**

1. Except in so far as the Authority consents to the licensee not doing so, the licensee shall, subject to paragraphs 2, 2A, 10A and 10B of this condition and paragraph 10(ab) of Standard Special Condition A11 (Network code and Uniform Network Code) from time to time make such modifications of the methodology established in pursuance of paragraph 5 of Standard Special Condition A4 (Charging – General) (“**the charging methodology**”) as may be requisite for the purpose of achieving the relevant methodology objectives.
  
2. Except in so far as the Authority otherwise approves, or in response to a determination by the Secretary of State under paragraph 2A of Standard Special Condition A27 (Disposal of Assets), the licensee shall not make a modification of the charging methodology unless it has complied with the requirements of the network code modification procedures as defined in Standard Special Condition A11 (Network Code and Uniform Network Code) subject to paragraphs 10A and 10B of this condition.
  
- 2A. The licensee shall –
  - (a) for the purposes of ensuring that the charging methodology achieves the relevant methodology objectives, keep the charging methodology at all times under review;
  - (b) **use its reasonable endeavours:**
    - (i) **not to make any changes to the charging methodology more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may by notice in writing direct; and**
    - (ii) **only to make changes to the charging methodology in relation to NTS exit capacity and NTS exit flow flexibility on 1 October in each formula year or at such other time as the Authority may by notice in writing direct<sup>4</sup>; and**

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<sup>4</sup> Additional text inserted by special condition 1.2

- (c) comply with the joint governance arrangements (as defined in Standard Special Condition A12 (Joint Office Governance Arrangements)) to the extent that such arrangements relate to the administration of any changes referred to in subparagraph (b), if applicable, whether made by the licensee and/or any other relevant gas transporter.
- 3. Subject to paragraph 4, the licensee shall in each formula year, by 31 December in that formula year, furnish the Authority with a report on the application of the charging methodology during the 12 months preceding 1st October in that year including a statement as to -
  - (a) the extent to which, in the licensee's opinion, the relevant methodology objectives have been achieved during the period to which it relates;
  - (b) whether those objectives could more closely be achieved by modification of the charging methodology; and
  - (c) if so, the modifications which should be made for that purpose.
- 4. As respects the formula year in which this licence came into force:
  - (a) if it came into force on or after 1 October in that year, paragraph 3 shall not apply; or
  - (b) if it came into force before that date, paragraph 3 shall have effect as if for the reference to the 12 months preceding that date there were substituted a reference to the period preceding that date beginning with the date on which the licence came into force.
- 5. In paragraphs 1, 2A and 3 the "**relevant methodology objectives**" means, subject to paragraph 6, the following objectives -
  - (a) save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;
  - (aa) that, in so far as prices in respect of transportation arrangements are established by auction, either:
    - 1. no reserve price is applied, or
    - 2. that reserve price is set at a level -
      - (i) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and

- (II) best calculated to promote competition between gas suppliers and between gas shippers;
- (b) that, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;
- (c) that, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers;
- (d) that the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets); and
- (e) 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.

6. Where -

- (a) the charging methodology results in charges which, or the revenue derived from which, are, in the main, not controlled or limited in pursuance of any standard condition or Standard Special Condition of this licence other than Standard Special Condition A4 (Charging – General); and
- (b) the Authority has not accepted that, for a specified period, this paragraph should not apply or has so accepted subject to standard conditions or Standard Special Conditions which are not satisfied,

“the relevant methodology objectives” shall include the following objective, namely, that the charging methodology results in charges which, taking one charge with another and one year with another, permit the licensee to make a reasonable profit, and no more, from its transportation business so, however, that, for the purposes of this paragraph, there shall be disregarded -

- (i) revenue derived from that business by way of charges (within the meaning of standard condition 4B (Connection Charges etc)) to which any provisions of that standard condition have effect and which are in respect of premises within an area for the time being so designated; and
- (ii) any payments made by the licensee in connection with the proposed development of an area for the time being not so designated to a person who has an interest in land in that area, other than by way of reasonable

consideration for an interest in land or for goods or services with which the licensee is provided.

7A. The licensee shall comply with any direction given from time to time by the Authority requiring the licensee -

(a) subject to paragraphs 8 and 9 to publish such information as may be specified or described in the direction -

(i) as to any of the costs incurred by the licensee in its transportation business, or

(ii) relating to the charging methodology as modified from time to time in accordance with paragraph 1; and

(b) to do so in such form and manner and with such frequency as may be so specified.

7B. Where the Authority reasonably considers it would better facilitate the implementation of, and/or compliance with the Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators, the licensee shall comply with any direction given from time to time by the Authority requiring the licensee-

(g) to complete assessments and analysis; and to publish and consult on such information, and with such parties, as may be specified or described in the direction;

(h) to do so in such form, manner and time frame and with such frequency as may be so specified in the direction.

8. The licensee shall not be required by paragraph 7A and paragraph 7B to publish any information or any document which it could not be compelled to give in evidence or produce in civil proceedings before the court.

9. In publishing any information in pursuance of paragraph 7A and paragraph 7B the licensee shall have regard to the need for excluding, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect his interests.

10. Any question arising under paragraph 9, as to whether the publication of some matter which relate to the affairs of a person would or might seriously and prejudicially affect his interests, shall be determined by the Authority.

10A. Unless the Authority directs otherwise, paragraph 10B of this condition shall apply where a report in respect of any proposal for modification of the charging methodology is furnished to the Authority in accordance with paragraph 2 of this condition as in force at 30 December 2010 before 31 December 2010.

10B. The license shall not make a modification of the charging methodology where the Authority has, within 28 days (or within three months if the Authority intends to undertake an impact assessment) of the report being furnished to it in accordance with paragraph 2 of this condition as in force at 30 December 2010 given a direction to the licensee that the modification shall not be made.

11. In this condition:

**“supply of transportation services”** shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that references therein to “transportation system” shall be construed as meaning the facilities to which this licence relates which are used by the licensee for the conveyance of gas within Great Britain or any part thereof; and

**“transportation arrangements”** shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that references therein to the term “pipe-line system” shall be amended so as to refer to “pipe-line system or any part thereof”.

**Standard Special Condition A6. Conduct of Transportation Business**

- I. The licensee shall conduct its transportation business in the manner best calculated to secure that neither -
  - (a) the licensee or any affiliate or related undertaking of the licensee (including, for the avoidance of doubt, any other relevant gas transporter which is also owned by the holder of this licence, the licence for which is held in the same legal entity);
  - (b) any gas shipper or gas supplier; nor
  - (c) any DN operator (who has entered into transportation arrangements with other relevant gas transporters),obtains any unfair commercial advantage including, in particular, any such advantage from a preferential or discriminatory arrangement, being, in the case of such an advantage accruing to the licensee, one in connection with a business other than its transportation business.
2. In this condition “**transportation business**” shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) and in addition it shall also include –
  - (a) the provision of metering services and meter reading services; and
  - (b) if the licensee has been designated as the designated registrar of pipes pursuant to Standard Special Condition A49 (Designated Registrar of Pipes), the functions of the designated registrar of pipes.
3. **NOT USED**
4. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to either metering or meter reading and its view on that question, considers it appropriate that references to either the provision of metering services or of meter reading services should be deleted from the definition of “transportation business” contained in paragraph 2 for the purpose of this condition, those references shall cease to have effect from the date or dates specified in a notice published by the Authority for that purpose.

**Standard Special Condition A7. Requirement to Enter into Transportation Arrangements in Conformity with the Network Code**

1. Except in a case in which the Authority accepts otherwise, the licensee shall only enter into transportation arrangements which are in conformity with any relevant provisions of the network code.
  
2. **NOT USED**
  
3. **NOT USED**
  
4. If and in so far as 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.
  
5. The licensee shall comply with any obligation in the network code to disclose information relating to:
  - (i) the operation of the pipe-line system to which this licence relates; or
  - (ii) any market relating to the pipe-line system to which this licence relates.

**Standard Special Condition A8. Emergency Services and Enquiry Service Obligations**

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

4. In the establishment and operation of the service in accordance with paragraph 1 the licensee shall not discriminate between any persons or class or classes thereof.
5. In the establishment and operation of the service in accordance with paragraph 1 the licensee shall not restrict, distort or prevent competition in the supply of gas.
6. The licensee shall prepare and submit a statement setting out details of the service to be provided in accordance with paragraph 1, and the licensee shall give or send a copy of such statement to any person requesting it.
7. The licensee shall take steps to inform users of the service of any change to the telephone number of the service established in accordance with paragraph 1 as soon as is practicable prior to such change becoming effective.
8. Subject to paragraph 9, the licensee shall make arrangements which will secure that in preventing an escape of gas in any premises to which it conveys gas (or, where it conveys gas to any primary sub-deduct premises, in any secondary sub-deduct premises to which the gas is subsequently conveyed) -
  - (a) the prevention is effected, so far as it is reasonably practicable and safe to do so:
    - (i) in such a way as to maintain the supply of Gas to those premises and to appliances designed for use by domestic customers for heating or cooking; and
    - (ii) by carrying out any appropriate minor repairs to appliances;
  - (b) the prevention is effected, so far as is reasonably practicable, by a person adequately trained to recognise signs of leakage of carbon monoxide and instructed to report any such signs to the owner or occupier of the premises; and
  - (c) if further repair work is required, information is given to the owner or occupier of the premises or, in their absence, left at the premises, as to persons in the locality who are members of a class of persons permitted pursuant to regulations under the Health and Safety at Work etc Act 1974 to perform repairs on gas fittings.
9. Nothing in paragraph 8(a) shall oblige the licensee to carry out any work which cannot be completed within 30 minutes of entering the premises for the purpose of preventing the escape or would use materials costing more than £4.65, adjusted in accordance with standard condition 27 (Adjustment of Amounts by Reference to the

Retail Price Index) by reference to the day on which the premises were entered for that purpose.

10. **NOT USED**

11. **NOT USED**

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

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

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

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

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

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

(c) when interrupting, reducing or restricting the conveyance of gas, give priority to the maintenance of the supply of gas to, and the conveyance of gas to the premises of, relevant customers or classes of relevant customers in accordance with, and to the extent specified in the list required by paragraph 17, and (to the

extent that they supersede or supplement such list) such directions as may from time to time have been given by the Secretary of State under paragraph 19 or 20.

16. Where the reasons of safety referred to in paragraph 15 relate to the whole or a substantial part of Great Britain or there is a significant shortage of gas affecting the whole or a substantial part of Great Britain, the licensee shall so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety:-
  - (a) (i) consult the network emergency co-ordinator; or
  - (ii) where the licensee is the network emergency co-ordinator, inform and if appropriate consult the Secretary of State,  
  
on the taking of any such steps as are mentioned in sub-paragraph (a) or (b) of that paragraph; and
  - (b) shall do so before taking any such steps.
17. The licensee, if licensed under section 7(2)(a) of the Act, shall: -
  - (a) unless it has done so before being so licensed, establish a list of relevant customers who should be given priority as respects the maintenance of a supply of gas and the maintenance of the conveyance of gas to their premises; and
  - (b) as often as is appropriate, review the list, and so far as appears appropriate, amend it, after consultation with all relevant shippers which appear to the licensee to have an interest in the proposed amendment, and, without prejudice as aforesaid, shall conduct such a review and make any such amendments on being directed so to do by the Secretary of State.
18. When the licensee establishes, reviews or amends any list established under paragraph 17, it shall comply with any direction given by the Secretary of State as to:
  - (a) the classes of relevant customers on which the list is to be based;
  - (b) any other criteria on which the list is to be based;
  - (c) any other customers or classes of customers specifically required to be included in the list; and
  - (d) the nature and extent of any priority which will be given to any relevant customer or class of relevant customer as specified in the list.

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

**Standard Special Condition A9. Pipe-Line System Security Standards**

1. The licensee shall, subject to section 9 of the Act, plan and develop its pipe-line system so as to enable it to meet, having regard to its expectations as to –
  - (a) the number of premises to which gas conveyed by it will be supplied;
  - (c) the consumption of gas at those premises; and
  - (c) the extent to which the supply of gas to those premises might be interrupted or reduced (otherwise than in pursuance of such a term as is mentioned in paragraph 4 of standard condition 16 (Security and emergency arrangements) of the standard conditions of gas suppliers' licences or of directions given under section 2(1)(b) of the Energy Act 1976) in pursuance of contracts between any of the following persons, namely, a gas transporter, a gas shipper, a gas supplier and a customer of a gas supplier,

the gas security standard mentioned in paragraph 2.

2. The gas security standard referred to in paragraph 1 is that the pipe-line system to which this licence relates (taking account of such operational measures as are available to the licensee including, in particular, the making available of stored gas) meets the peak aggregate daily demand, including, but not limited to, within day gas flow variations on that day, for the conveyance of gas for supply to premises which the licensee expects to be supplied with gas conveyed by it –
  - (a) which might reasonably be expected if the supply of gas to such premises were interrupted or reduced as mentioned in paragraph 1(c); and
  - (b) which, (subject as hereinafter provided) 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,

so, however, that if, after consultation with all gas suppliers, gas shippers and gas transporters, with the Health and Safety Executive and with Citizens Advice and Consumer Scotland, the Authority is satisfied that security standards would be adequate if sub-paragraph (b) were modified by the substitution of a reference to data derived from a period of less than the previous 50 years or by the substitution of some higher probability for the probability of 1 year in 20 years, the Authority may, subject to paragraph 3, make such modifications by a 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.
  
- 3. Paragraph 2(b) shall only be modified if, at the same time, the Authority makes similar modifications to –
  - (a) paragraph 1A(a) of Standard Special Condition A11 (Network Code) and
  - (b)
  - (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.
  
- 4. For the purposes of paragraph 1, the licensee may have regard to information received from the operator of a pipe-line or pipe-line system to which it conveys gas as respects the quantity of gas which it expects to require.

**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 Consumer 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 15C, 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 the 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 Consumer 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;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 which 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;
  - 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 pipeline 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 paragraph 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 to 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), or 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:
- (ii) 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
  - (iii) 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.

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.

22B. The Licensee shall, in appointing any such operator as is mentioned in paragraph 22A, use all reasonable endeavours to appoint a person having:

- (a) financial resources,
- (b) skilled and experienced personnel, and
- (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.

22C. The requirement in paragraph 22B shall 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 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.”

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 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.

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).
- 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.
- “fast track self-governance criteria”
- “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; 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), 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.

(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

- (i) 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;
- (ii) any other participant or class of participant that the code administrator considers to be in particular need of assistance; and

- (iii) 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
    - (bb) Standard Special Condition A5 (Obligations As Regards Charging Methodology),
- (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 A12. Joint Office Governance Arrangements**

1. The licensee shall:
  - (a) together with all other relevant gas transporters, establish, develop and operate (or otherwise procure the operation of) arrangements (“**joint governance arrangements**”) for:
    - (i) the administration of the network code modification procedures (as defined in paragraph 7 and further defined in paragraph 9 of Standard Special Condition A11 (Network Code and Uniform Network Code));
    - (ii) giving effect to the provisions of Standard Special Condition A11 (Network Code and Uniform Network Code), Standard Special Condition A4 (Charging – General) and Standard Special Condition A5 (Obligations as Regard 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) by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have entered into an agreement (“**JGA agreement**”) with the other relevant gas transporters, providing for the establishment and operation of the joint governance arrangements;
  - (c) provide or cause to be provided to the Authority a copy of the JGA agreement and each amendment thereof; and

- (d) publish, or cause to be published, 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.
- 2. 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.
- 3. The licensee shall submit, or cause to be submitted, any proposed amendment to the JGA agreement to the Authority and shall not make or permit any amendment to the JGA agreement until the expiry of 90 days from the date on which the Authority receives the proposed amendment unless prior to such date the Authority either:
  - (a) consents in writing to the licensee making or permitting the amendment on an earlier date, or
  - (b) directs the licensee in writing not to make or permit the amendment.
- 4. (a) In relation to Standard Special Condition A11 (Network Code and Uniform Network Code) of this licence, the licensee shall comply directly or shall procure compliance by means of the joint governance arrangements, with the requirements in:
  - (i) paragraph 6 of Standard Special Condition A11 (Network Code and Uniform Network Code) to furnish to the Authority a copy of the uniform network code,

- (ii) paragraph 13 of Standard Special Condition A11 (Network Code and Uniform Network Code) to furnish to the Authority a copy of any modification made,
  - (iii) paragraphs 10(aa) and 14 of Standard Special Condition A11 (Network Code and Uniform Network Code) to propose a modification,
  - (iv) paragraph 15(a) of Standard Special Condition A11 (Network Code and Uniform Network Code) to give notice to the Authority and paragraph 15(b)(ii) to furnish to the Authority a revised notice,
  - (v) paragraph 15(b) of Standard Special Condition A11 (Network Code and Uniform Network Code) to comply with a direction to make a modification
  - (vA) paragraph 15D(a)(i) of Standard Special Condition A11 (Network Code and Uniform Network Code) to furnish to the Authority a self-governance statement;
  - (vi) paragraph 16 of Standard Special Condition A11 (Network Code and Uniform Network Code) to make a modification; and
  - (vii) paragraph 17 of Standard Special Condition A11 (Network Code and Uniform Network Code) to prepare and publish a summary, to send a copy, and to provide a copy on a freely available web-site.
- (b) Where a licensee has, directly or indirectly by means of the joint governance arrangements, provided the information or taken the action specified in subparagraphs 4(a) (i) to 4(a) (vii) inclusive, it shall have, without prejudice to any other obligations it may have, been deemed to have complied with the requirement to have provided the information or to have taken the action specified.

**Standard Special Condition A14. Availability of Data Formats**

1. Where the licensee uses standard file formats for transferring data, for any purposes set out in the network code, between any persons identified in such network code as appropriate persons for the receipt of the data, it shall:
  - (a) make those standard file formats and associated definitions of data items available, free of charge, to gas shippers and other gas transporters for their use in connection with their licensed activities; and
  - (b) comply with its obligations under the network code and the CDSP Service Agreement (as defined in Standard Special Condition A15 (Central Data Services Provider) in this regard.

## **Standard Special Condition A15 Central Data Service Provider**

### **Introduction**

1. The purpose of this condition is to provide for the continued appointment of a “central data service provider” (“CDSP”) and to set out the obligations with which the licensee must comply with respect to the ongoing operation of the CDSP.

### **Part A: Obligations of the licensee in ensuring the continued appointment of a CDSP**

2. The licensee must, together with Relevant Gas Transporters, ensure that there is in post at all times a person appointed as the CDSP to provide CDSP services and systems (together referred to as “CDSP Services” in compliance with the minimum requirements set out in this Part.
3. The licensee must, together with Relevant Gas Transporters, ensure that:
  - (a) the CDSP’s constitution requires the appointment of directors nominated by Relevant Users of CDSP Services other than Relevant Gas Transporters (such users being “Non-RGT Users”);
  - (b) Non-RGT Users’ representatives are given the opportunity to participate in the contract management and change management process related to the CDSP Services and are given the opportunity to participate in the decision making process in respect of matters that will have an effect on the continued appointment and ongoing operation of the CDSP;
  - (c) the CDSP consults with, and takes due regard of responses by Non-RGT Users in respect of its business plan and budget for CDSP Services.
4. The licensee must, together with Relevant Gas Transporters, ensure that the UNC sets out:
  - (a) a requirement that the licensee, each Relevant Gas Transporter and (as a condition of being a party to the UNC) each other user of CDSP Services as such users may be defined in the UNC (to the extent such other users of the CDSP Services are bound by the UNC) be party to a service agreement with the CDSP (“the CDSP Service Agreement”);

- (b) a classification of CDSP Services, including those which are required to be used by Relevant Gas Transporters, gas shippers and other parties to the UNC;
- (c) obligations on the licensee and other users of CDSP Services, to the extent such other users of the CDSP Services are required to be party to the CDSP Service Agreement (the licensee and such other users collectively being “Relevant Users of CDSP Services”) to:
  - (i) jointly control and govern the CDSP on an economic and efficient basis;
  - (ii) use or procure the use of CDSP Services, as set out in the UNC from the CDSP;
  - (iii) keep the CDSP Service Agreement under review to ensure it continues to comply with the relevant sections of the UNC; and
  - (iv) pay for CDSP Services in accordance with the charging statement prepared by the CDSP (“the CDSP Charging Statement”); and
- (d) a process enabling a Relevant User of CDSP Services to appeal the CDSP Annual Budget (as defined in paragraph 6(c)) by issuing a notice to the Authority in writing. The circumstances under which such notice can be issued are to be limited to where that party considers the CDSP Annual Budget to not be fit for purpose for the CDSP to be able to fulfil its obligation specified in paragraph 5(b) of this condition.

#### **Part B: Minimum obligations relating to the CDSP**

5. The licensee must, together with Relevant Gas Transporters, ensure that the CDSP is:
- (a) a company under the joint ownership of the licensee and of Relevant Gas Transporters;
  - (b) be a company the purpose of which (except where the Authority consents otherwise in writing) is to provide CDSP Services and which shall set out within its articles of association a prohibition on the distribution of profits and declaration of dividends (save for dividends in respect of profits relating to periods prior to 1 April

2017; and

- (c) a company jointly controlled and governed by the licensee and by Relevant Users of CDSP Services, where this is reflected in the company's articles of association, which at a minimum must contain:
    - (i) provision for the appointment and removal of directors of the CDSP by the licensee and by other Relevant Users of CDSP Services on a transparent and equitable basis;
    - (ii) a provision for the licensee, together with Relevant Gas Transporters, to require the CDSP to make changes to the CDSP Annual Budget where the Authority requires such changes to be made pursuant to the powers given to the Authority in paragraph 12 of this condition.
6. The licensee must, together with Relevant Gas Transporters, ensure that the CDSP Service Agreement includes obligations on the CDSP to:
- (a) provide or otherwise procure CDSP Services which shall include services required in the UNC for Relevant Gas Transporters, gas shippers and other Relevant Users of CDSP Services;
  - (b) provide or otherwise procure CDSP Services effectively to help facilitate the efficient and integrated operation of the gas industry;
  - (c) produce, in consultation with Relevant Users of CDSP Services, and publish an annual budget in respect of the delivery of CDSP Services ("the CDSP Annual Budget");
  - (d) publish and keep under review a charging methodology, as required by the UNC, and publish and keep under review the CDSP Charging Statement, setting out its charges calculated in accordance with the charging methodology, both of which must:
    - (i) aim to recover the CDSP Annual Budget (as amended pursuant to any direction from the Authority)
    - (ii) facilitate the objective of economic, efficient and transparent charging for the provision of the CDSP Services and achieve the "Charging Methodology Objectives";
  - (e) The "Charging Methodology Objectives" means the following objectives:
    - (i) that compliance with the charging methodology results in charges which reflect the costs incurred by the CDSP for the provision of the CDSP Services;

- (ii) that, so far as is consistent with sub-paragraph (i), the charging methodology properly takes account of developments in the provision of CDSP Services;
    - (iii) that, so far as is so consistent, compliance with the charging methodology facilitates effective competition between gas shippers, between gas suppliers and between Gas Transporters;
    - (iv) 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.
  - (f) notify the Authority in writing if it increases its charges during a financial year; and
  - (g) amend the CDSP Annual Budget when directed to do so by the licensee, together with Relevant Gas Transporters, where the Authority requires such changes to be made pursuant to the powers given to it in Part C of this condition.
7. Except as otherwise provided for within the UNC and/or the CDSP Service Agreement, any modification of the charging methodology shall, where relevant, comply with the requirements of the network code modification procedures as defined in Standard Special Condition A11 (Network Code and Uniform Network Code).

### **Part C: Appeals to the Authority on the CDSP Annual Budget**

- 8. Where the Authority receives a notification under paragraph 4(d) of this condition it will decide whether there are grounds for appeal.
- 9. While the Authority is considering whether there are grounds for appeal the CDSP Annual Budget under appeal will continue to be in effect.
- 10. If having made its assessment the Authority decides that the appeal should be allowed, it will issue a direction to every licensee in whose licence this condition has effect requiring the licensee to require the CDSP to make changes to the CDSP Annual Budget as set out in its direction.

11. The direction, issued under paragraph 10 will state:

- (a) the value of the amended CDSP Annual Budget that is to apply
- (b) the years in respect of which the amended CDSP Annual Budget applies; and
- (c) any other conditions relating to the CDSP Annual Budget that the Authority deems appropriate to impose on the relevant licensees

12. Prior to issuing a direction under paragraph 10 of this condition the Authority will:

- (a) give notice to all licensees, in whose licence this condition has effect, and other users of CDSP Services that it proposes to issue the direction:
  - (i) specifying the date on which it proposes that it should have effect;
  - (ii) setting out the text of the proposed direction and the Authority's reasons for proposing it; and
  - (iii) specifying the time (which will not be a period of less than 28 days from the date of the notice) within which representations or objections with respect to the proposal may be made; and
- (c) consider any representations or objections in response to the notice that are duly received and not withdrawn.

**Standard Special Condition A16. Independence of the independent market for balancing**

1. In this condition,

**“energy balancing gas transporter”** means the relevant gas transporter who is required to comply with Special Condition C6 (Independent Market for Balancing);

**“energy balancing”** means the activity of the residual balancing of inputs of gas to, and offtakes of gas from, the total system; and

**“operator of the independent market for balancing”** means a person who is independent of the energy balancing gas transporter.

2. This condition applies where the network code makes provision for the energy balancing of the total system by the energy balancing gas transporter through the operator of the independent market for balancing.

3. Unless the Authority otherwise consents, neither the licensee, nor any affiliate or related undertaking of the licensee (nor, for the avoidance of doubt, any other relevant gas transporter which is owned by the holder of this licence, the licence for which is held in the same legal entity) shall hold (directly or indirectly) any ownership interest in the operator of the independent market for balancing nor shall it act in any manner which may prejudice the independence of the operator of the independent market for balancing from all relevant gas transporters.

**Standard Special Condition A17. General obligations in respect of gas transporters' pipe-line systems.**

1. The licensee shall act in a reasonable and prudent manner in the operation of the pipe-line system to which this licence relates in so far as such operation may affect the operation of the pipe-line system of any other relevant gas transporter.
2. Without prejudice to the generality of paragraph 1, the licensee shall not knowingly or recklessly pursue any course of conduct (either alone or with some other person) which is likely to prejudice:
  - (a) the safe and efficient operation, from day to day, of the pipe-line system of any other relevant gas transporter;
  - (b) the safe, economic and efficient balancing of the pipe-line system of any other relevant gas transporter (so far as such other relevant gas transporter is required to balance its pipe-line system); or
  - (c) the due functioning of the offtake arrangements provided for in the network code.
3. The licensee shall not knowingly or recklessly act in a manner likely to give a false impression to a relevant gas transporter as to the expectations that that other relevant gas transporter may have as to either:
  - (a) the aggregate quantity of gas to be taken off that other relevant gas transporter's pipe-line system; or
  - (b) the aggregate quantity of gas to be brought onto that other relevant gas transporter's pipe-line system,by the licensee through the operation of the pipe-line system to which this licence relates.

**Standard Special Condition A26. Provision of Information to the Authority**

1. Subject to paragraphs 5 and 7, the licensee shall furnish the Authority, in such manner and at such times as the Authority may reasonably require, such information and shall procure and furnish to it such reports, as the Authority may reasonably require or as may be necessary for the purpose of performing -
  - (a) the functions conferred on the Authority by or under the Act or in pursuance of any requirements of the Directive or the Regulation; and
  - (b) any functions transferred to or conferred on the Authority by or under the Utilities Act 2000.
2. The licensee shall procure from each company or other person which the licensee knows or reasonably should know is at any time an ultimate controller of the licensee a legally enforceable undertaking in favour of the licensee in a form specified by the Authority that that ultimate controller ("**the information covenantor**") will give to the licensee, and will procure that any person (including, without limitation, a corporate body) which is a subsidiary of, or is controlled by, the information covenantor (other than the licensee and its subsidiaries) will give the licensee, all such information as may be necessary to enable the licensee to comply fully with the obligation imposed on it in paragraph 1. Such undertaking shall be obtained within 7 days of such corporate body or other person in question becoming an ultimate controller of the licensee and shall remain in force for so long as the licensee remains the holder of this licence and the information covenantor remains an ultimate controller of the licensee.
3. The licensee shall deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with the obligation to procure undertakings pursuant to paragraph 2, and shall comply with any direction from the Authority to enforce any undertaking so procured.
4. The licensee shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or, where the ultimate controller is a corporate body, any of the subsidiaries of such a corporate ultimate controller (other than the subsidiaries of the licensee) at a time when:
  - (a) an undertaking complying with paragraph 2 is not in place in relation to that ultimate controller; or
  - (b) there is an unremedied breach of such undertaking; or

- (c) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 3 of this condition.
- 5. The licensee shall not be required by the Authority to furnish it under this condition with information for the purpose of the exercise of its functions under section 34 of the Act.
- 6. The licensee shall, if so requested by the Authority, give reasoned comments on the accuracy and text of any information or advice (so far as relating to its activities as holder of a gas transportation licence) which the Authority proposes to publish pursuant to section 35 of the Act.
- 6. This condition shall not require the licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.
- 7. The power of the Authority to call for information under this condition is in addition to the power of the Authority to call for information under or pursuant to any other condition. There shall be a presumption that the provision of information in accordance with any other condition is sufficient for the purposes of that condition, but that presumption shall be rebutted, if the Authority states in writing that in its opinion such further information is, or is likely to be, necessary to enable it to exercise functions under the condition in question.

**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 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 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 of the Council or Commission of the European Union that has effect in EU law immediately before IP completion 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, or 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 ~~the~~ a disposal of or relinquishment of operational control over the asset is permitted under paragraphs 36, 9 or 410, 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 ~~2A~~ 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 A28. Gas Network Innovation Strategy**

### **Introduction**

1. The purpose of this condition is to oblige the licensee to work with other parties to develop a Gas Network Innovation Strategy. This obligation is intended to ensure that Relevant Network Licensees take a joined up approach to innovation, which results in coordinated action on priority areas that offer significant potential benefit, shared learning and the avoidance of unnecessary duplication.
2. This condition does not prevent the licensee from undertaking Innovation Projects that are not specifically outlined within the Gas Network Innovation Strategy.

### **Part A: Requirement to create and maintain a Gas Network Innovation Strategy**

3. The licensee must develop and maintain a Gas Network Innovation Strategy and must use reasonable endeavours to cooperate with all other Relevant Network Licensees in the development of a Gas Network Innovation Strategy.
4. The licensee must use reasonable endeavours to work with all other Relevant Network Licensees to ensure the Energy Network Innovation Strategy is reviewed every two years and where necessary, in the majority view of Relevant Network Licensees, is also updated.

### **Part B: Gas Network Innovation Strategy**

5. The Gas Network Innovation Strategy must:
  - a) set out the procedures for updating it (which must include the requirement to consult with Interested Parties in accordance with Part C below and the biennial review referred to in paragraph 4);
  - b) be kept up to date in accordance with the procedures referred to in paragraph 5(a); and
  - c) be readily accessible to the public from the licensee's website.
6. The Gas Network Innovation Strategy must include:

- a) A description of the challenges and uncertainties which the Relevant Network Licensees consider are pertinent to the gas network over different time periods that could be addressed through innovative projects;
- b) a description of the innovative projects and plans the Relevant Network Licensees intend to pursue in order to address the challenges referred to in paragraph 6(a) of this condition, with particular regard to how future Innovation Projects which Relevant Network Licensees will seek to initiate over the period of the Gas Network Innovation Strategy will help to address those challenges;
- c) a description of the challenges which the Relevant Network Licensees consider are pertinent to the electricity network over different time periods and which are not currently being addressed through industry projects or plans, including but not limited to projects or plans made by the Relevant Network Licensees and Interested Parties;
- d) a description of the innovative projects and plans the Relevant Network Licensees intend to pursue in relation to the challenges identified in paragraph 6(c) of this condition, with particular regard to how future Innovation Projects which Relevant Network Licensees will seek to initiate over the period of the Gas Network Innovation Strategy will help to address those challenges.  
Consideration should be given to the suitability of the Relevant Network Licensees to carry out the innovative projects and plans. If the Relevant Network Licensees do not intend to carry out innovative projects and plans relating to any challenge identified in paragraph A28.6(c), a reason should be provided as part of this description;
- e) a description of how Relevant Network Licensees will coordinate their activities on Innovation Projects to minimise unnecessary duplication of effort;
- f) a description of how Relevant Network Licensees will share the learning that they have gained through Innovation Projects.
- g) any directions related to the Gas Network Innovation Strategy issued by the Authority

### **Part C: Consultation**

7 The licensee must, in cooperation with Relevant Network Licensees, have regard to whole system considerations and use reasonable endeavours to consult with Interested Parties and with stakeholders in other sectors prior to publication, or revision, of the Gas Network Innovation Strategy. This includes stakeholders in the following sectors:

- (a) electricity;

- (b) gas;
- (c) heat
- (d) refuse
- (e) telecoms;
- (f) transport; and
- (g) water and wastewater.

8 The licensee must include in the Gas Network Innovation Strategy:

- (a) a description of those Interested Parties and stakeholders referred to in paragraph 7, with whom it has consulted; and
- (b) its analysis of any representations relevant to the requirements set out in paragraph 6, received in response to the consultation.

#### **Part D: Interpretation**

9. For the purposes of this condition:

Gas Network Innovation Strategy means a document or suite of documents, published by Relevant Network Licensees that complies, or together comply with the requirements of this condition.

Innovation Project means a project funded by the:

- (a) RIIO-1 Network Innovation Allowance;
- (b) RIIO-2 Network Innovation Allowance;
- (c) RIIO-1 Network Innovation Competition;

or

- (d) SIF.

Interested Parties include, but are not limited to, the Engineering and Physical Sciences Research Council, the Department of Business, Energy and Industrial Strategy, Innovate UK and their successor bodies and holders of a gas transporter licence that are not National Grid Gas plc or a RIIO Gas Distribution Licensee.

Relevant Network Licensee	means the holder of a gas transporter licence with condition A28 in effect in its licence
RIIO Gas Distribution Licensee	means Cadent Gas Ltd, Northern Gas Networks Ltd, Scotland Gas Networks plc, Southern Gas Networks plc, and Wales and West Utilities Ltd.
RIIO-1 Network Innovation Allowance	means the network innovation allowance established by Special Condition 2E (The Network Innovation Allowance) of the gas transporter licence held by National Grid Gas plc as in force on 31 March 2021 and now governed by Special Condition 5.3 (Carry-over Network Innovation Allowance) of that licence; and Special Condition 1H (The Network Innovation Allowance) of the gas transporter licences held by the RIIO Gas Distribution Licensees as in force on 31 March 2021 and now governed by Special Condition 5.3 (Carry-over Network Innovation Allowance) of those licences.
RIIO-1 Network Innovation Competition	means the network innovation competition established by Special Condition 2F (The Network Innovation Competition) of the gas transporter licence held by National Gas Transmission plc as in force on 31 March 2021 and now governed by Special Condition 7.7 (RIIO-GT1 network innovation competition) of that licence; and Special Condition 1I (The Network Innovation Competition) of the gas transporter licences held by the RIIO Gas Distribution Licensees as in force on 31 March 2021 and now governed by Special Condition 7.7 (RIIO-GD1 network innovation competition) of those licences.
RIIO-2 Network Innovation Allowance	means the network innovation allowance established by Special Condition 5.2 (RIIO2 network innovation allowance) of the gas transporter licences held by National Grid Gas plc and the RIIO Gas Distribution Licensees.

SIF

means the strategic innovation fund established by Special Condition 5.7 (The strategic innovation fund) of the gas transporter licence held by National Grid Gas plc and Special Condition 9.13 (The strategic innovation fund) of the gas transporter licences held by the RIIO Gas Distribution Licensees.

## **Standard Special Condition A30. Regulatory Accounts**

### **Introduction**

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

### **Part A: Businesses to which licensee's obligation applies**

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

- (f) the whole business to which this licence relates, as represented by the consolidation of the businesses and activities referred to within subparagraphs (a) to (e), where applicable, and, in addition, details of any de minimis business carried out by a relevant associate (as defined in paragraph 4 of Standard Special Condition A36) of the holder of the licence.

#### **Part B: Other matters relating to licensee's obligation**

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

#### **Part C: Preparation of the regulatory accounts**

5. For the purposes of this condition, but without prejudice to the requirements of Part E below, the licensee must prepare regulatory accounts for each financial year, which must be prepared under the same applicable accounting framework as the most recent or concurrent statutory accounts of the licensee.
6. Except and so far as the Authority otherwise consents, the licensee must comply with the obligations imposed by the following paragraphs of this Part C in relation to the preparation of regulatory accounts.

7. The licensee must keep or cause to be kept for a period approved by the Authority, but not less than the period referred to in section 388(4)(b) of the Companies Act 2006 and in the manner referred to in that section, such accounting records and other records as are necessary to ensure that all of the revenues, costs, assets, liabilities, reserves, and provisions of, or reasonably attributable to, each of the businesses referred to in Part A above are separately identifiable in the accounting records of the licensee (and of any affiliate or related undertaking of the licensee) from those of any other business of the licensee.
8. The regulatory accounts must be prepared on a consistent basis derived from the accounting records and other records referred to in paragraph 7 in respect of each financial year, and must comprise:
  - (a) the matters set out in paragraph 9; supported by
  - (b) the matters mentioned in paragraph 10; and
  - (c) the statement required by paragraph 11.
9. The matters to which paragraph 8(a) refers are:
  - (a) an income statement and a statement of comprehensive income (or, as appropriate, a profit and loss account and, as appropriate, a statement of total recognised gains and losses);
  - (b) a statement of changes in equity, if appropriate;
  - (c) a statement of financial position (or, as appropriate, a balance sheet);
  - (d) a statement of cash flows (or, as appropriate, a cash flow statement);
  - (e) a corporate governance statement in respect of the whole business to which this licence relates;
  - (f) a directors' report in respect of the whole business to which this licence relates; and
  - (g) a business review in respect of the whole business to which this licence relates.
10. The matters to which paragraph 8(b) refers are explanatory notes to the regulatory accounts that:
  - (a) provide a summary of the accounting policies adopted by the licensee for the purpose of producing regulatory accounts in respect of the whole business to which this licence relates; and

- (b) comply with the requirements applicable for preparing annual accounts in Chapter 4 of Part 15 of the Companies Act 2006 and of the reporting requirements of the applicable accounting framework in respect of each business to which this licence relates.

**Part D: Bases of charge or apportionment**

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

prepare such regulatory accounts by reference to the bases, accounting policies, and manner of application that applied in respect of that immediately preceding financial year.

#### **Part E: Consistency with Statutory Accounts**

15. Regulatory accounts and information prepared under Parts C and D above must, so far as is reasonably practicable and except so far as the Authority otherwise consents, having regard to the purposes of this condition:
  - (a) have the same content and format as the most recent or concurrent statutory accounts of the licensee prepared under Part 15 of the Companies Act 2006; and
  - (b) comply with all relevant accounting and reporting standards currently in force under the applicable accounting frameworks as set out in Part 15 of the Companies Act 2006.
16. This paragraph applies if the regulatory accounts are group accounts of the licensee's gas transportation business, including those aspects of the business carried on in relevant affiliates, and for which there are no comparable statutory accounts of the licensee prepared under Part 15 of the Companies Act 2006.
17. Where paragraph 16 applies, the licensee must prepare a statement that:
  - (a) reconciles the regulatory accounts to its most recent or concurrent statutory accounts and containing appropriate explanation of all reconciling items; and
  - (b) has been audited and reported upon by the appropriate auditor engaged under Part F below.
18. The statement referred to in paragraph 17 must be submitted to the Authority by 31 July after the end of the financial year to which the regulatory accounts relate, but is otherwise exempt from the requirements of Part I below.

#### **Part F: Audit and delivery of regulatory accounts**

19. Unless the Authority otherwise consents, the licensee must:
  - (a) procure an audit by an appropriate auditor of such parts of its regulatory accounts and the directors' report and business review as would be specified in the Companies Act 2006 as being required to be so audited if the licensee were a quoted company and those accounts were the statutory accounts of

the licensee drawn up to 31 March each financial year and prepared under Part 15 of the Companies Act 2006;

- (b) procure a report by that auditor, addressed to the Authority, that states whether in the auditor's opinion those accounts (and, if applicable, the reconciliation information mentioned in paragraph 4) fairly present the financial position, financial performance, and cash flows of, or reasonably attributable to, each of the businesses referred to in Part A in accordance with the requirements of this condition; and
- (c) deliver those accounts and the auditor's report required under paragraph 19 (b) of this licence condition to the Authority as soon as is reasonably practicable, and in any event before their publication of such accounts under Part I below and not later than 31 July following the end of the financial year to which the regulatory accounts relate.

#### **Part G: Terms of appointment of the appropriate auditor**

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

#### **Part H: Agreed upon procedures for the appropriate auditor**

21. The licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor for the completion of agreed upon procedures that are to apply for the purposes of enabling that auditor to review:
- (a) the licensee's compliance with its obligations in respect of the prohibition of cross-subsidy and discrimination generally and, in particular, under such of standard or standard special conditions A6 (Conduct of transportation business), A35 (Prohibition of Cross-Subsidies) and, to the extent applicable, D19 (Non-discrimination in the provision of metering activities) of this licence as specifically impose such prohibitions; and
  - (b) the statement that by virtue of Part D above is required to be included in the regulatory accounts concerning the bases of charge, apportionment, and allocation applied by the licensee in relation to those accounts.

22. The contract of appointment must require that the agreed upon procedures are conducted in relation to each financial year and that the licensee will arrange for the appropriate auditor to address a report to the Authority by 31 July following the end of each such year which:
- (a) states that he has, in a manner consistent with the relevant auditing standards, completed the agreed upon procedures issued by the Authority in respect of the financial year under report; and
  - (b) sets out his findings.
23. If the Authority is satisfied that the appropriate auditor's report submitted under this Part H demonstrates that the licensee has complied with the obligations to avoid discrimination and cross-subsidies imposed on the licensee, the report shall be deemed to represent the results of an audit of those obligations.

#### **Part I: Publication and provision of regulatory accounts**

24. Subject to paragraph 26, and unless the Authority after consulting with the licensee otherwise directs, the licensee must publish its regulatory accounts (excluding the statement required to be included in them by virtue of Part D above and any other information agreed by the Authority to be confidential):
- (a) as a stand-alone document in accordance with this condition;
  - (b) by 31 July after the end of the financial year to which the accounts relate;
  - (c) on, and in a way that is readily accessible from, its website or that of an affiliate or ultimate controller of the licensee provided that link is both clear and readily accessible; and
  - (d) in any other manner which, in the opinion of the licensee, is necessary to secure adequate publicity for the accounts.
25. The licensee must provide a copy of the regulatory accounts free of charge:
- (a) to Citizens Advice and Consumer Scotland (or any successor entity), no later than the date on which the regulatory accounts are published; and
  - (b) to any person requesting a copy.
26. The licensee is not required to publish regulatory accounts for the LNG storage and LNG import or export facilities businesses, metering business or the meter reading business if such publication would or might seriously and prejudicially affect the

interests of the licensee, or of any ultimate controller of the licensee, or of any subsidiary of any ultimate controller.

27. Any question arising under paragraph 26 as to whether a person's interests would or might be seriously and prejudicially affected is to be referred (except in so far as the Authority consents otherwise) to the Authority for determination.

## **Part J: Interpretation and definitions**

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

- (c) the directors' report has the coverage and content of the directors' report that a quoted company is required to prepare under sections 415, 416, 417, 418(2), and 419(3) and (4) of the Companies Act 2006.

31. For the avoidance of doubt, the licensee should prepare regulatory accounts for the financial year commencing on or after 1 April 2012 in accordance with the licence condition in force as at 31 March 2013.

32. For the purposes of this condition:

agreed upon procedures means procedures from time to time agreed between the Authority, the appropriate auditor, and the licensee for the purpose of enabling the appropriate auditor to review and report to the Authority on matters relating to the requirements referred to at paragraph 21 of this condition;

applicable accounting framework means:

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

(b) in accordance with section 403 Companies Act group accounts, or IAS group accounts;

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

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

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

**Standard Special Condition A31. Supply Point Information Service**

1. The licensee shall establish, or procure the establishment of, and subsequently operate and maintain, or procure the subsequent operation and maintenance of, an information service (the “**supply point information service**”) consistent with its obligations under Standard Special Condition A15 (Central Data Services Provider).
2. The licensee shall ensure that the supply point information service fulfils, for all premises connected to the pipe-line system to which this licence relates, including secondary sub-deduct premises, the following functions:
  - (a) the maintenance of a register containing the data set out in paragraph 3 (“**relevant data**”);
  - (b) the amendment of relevant data to reflect changes of supplier in respect of any such premises;
  - (c) in respect of domestic customers or persons acting on their behalf, other than gas shippers or their agents, the provision, in a timely and efficient manner, of such of the relevant data as is referred to in sub-paragraphs 3(a)(iii), 3(b)(iii) and 3(b)(iv) as is reasonably required and requested by that person;
  - (d) in respect of the following applicants:
    - (i) any relevant shipper or agent thereof;
    - (ii) any person identified in the network code as an appropriate person for the receipt of data for balancing and change of supplier purposes; and
    - (iii) any customer (other than a domestic customer) of a gas supplier or person acting on his behalf entitled to such data for the purpose of facilitating changes of supplier in respect of that customer’s premises;the provision, in a timely and efficient manner, of such of the relevant data as is reasonably required and requested by the applicant;
  - (e) the maintenance, subject to sub-paragraphs 6(a), 6(c) and paragraph 7, of an enquiry service for the provision to any customer of a gas supplier, on request and free of charge at the point of use to domestic customers, of such of the relevant data in respect of the supply of gas to premises which are (or which are about to be) owned or occupied by that customer; and
  - (f) the taking of such steps as will in the opinion of the licensee secure adequate publicity for the operation of the enquiry service mentioned in sub-paragraph 2(e).

- 2A. With effect from the CSS Go-Live Date, certain functions referred to in paragraph 2 above may be provided through a separate service under or pursuant to an industry code that the licensee is party to. For the avoidance of doubt, in such a case additional provision of such service(s) by the Central Data Service Provider (as defined by Standard Special Condition A15) will not be required.
3. The data referred to in sub-paragraph 2(a) above is:
- (a) such technical and other data as is necessary to facilitate supply by any gas supplier to any premises connected to the pipe-line system to which this licence relates, including secondary sub-deduct premises, and to meet the reasonable requirements of gas shippers in respect of such premises for information for balancing and change of supplier purposes, including (where so required):
    - (i) the identity of the gas shipper responsible under the network code for the supply point at such premises;
    - (ii) the type of metering equipment installed at each such premises where the licensee has been supplied with details of such equipment; and
    - (iii) a unique and accurate address of each such premises so far as is reasonably practicable, having regard to the nature and source of the information provided to the licensee; and
  - (b) such information which is in the possession of the licensee as may be necessary and which is reasonably required for the purpose of –
    - (i) managing the supply of gas to the premises of the customer;
    - (ii) assessing the accuracy of those components of the charges relating to the conveyance of gas to such premises which are specific to the premises of that customer;
    - (iii) enabling that customer to contract with another supplier for the supply of gas; or
    - (iv) identifying the supplier to the customer's premises.
4. In fulfilling its obligation in accordance with paragraph 1 the licensee shall not restrict, distort or prevent competition in the provision of meter services or gas supply.
- 4A. The Authority may, after consulting with the licensee and any other party likely to be

materially affected, give a direction (“a derogation”) to the licensee that relieves it of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified in the direction.

5. Subject to paragraphs 6 and 7 below, the licensee shall provide to owners or occupiers of premises or sites on which premises are to be constructed or to persons acting on their behalf, who may require a connection to the pipe-line system to which this licence relates on request:
  - (i) such information as is in the possession of the licensee regarding predicted gas pressures on the pipe-line system to which this licence relates as is necessary for the purpose of the design, construction or maintenance of a connecting pipe-line by or on behalf of the connecting party; and
  - (ii) such information as may be required by the requesting party to verify the licensee’s requirement to reinforce the pipe-line system to which this licence relates where the requesting party is required to contribute to the cost of that reinforcement.
  
6. The licensee shall be entitled to refuse to provide information on the grounds that-
  - (a) its disclosure would seriously and prejudicially affect the commercial interests of the licensee, and any question as to whether such interests would be so affected shall be determined by the Authority;
  - (b) a person to whom information is to be provided has refused to enter into an agreement with the licensee that that person will not use the information in question other than for the purpose of facilitating those activities referred to in paragraph 5 above, nor further disclose the information; or
  - (c) in relation to sub-paragraph 2(e), save where the request is made by or on behalf of a domestic customer for the purposes of that customer, the person requesting the information has declined to pay the licensee, having been requested in writing to do so, a fee equal to the reasonable cost to the licensee of complying with the request save to the extent that such reasonable cost is recoverable from elsewhere. The licensee shall publish, in such manner as shall be appropriate to bring it to the attention of persons likely to be affected by it, a statement setting out the circumstances in which a fee is payable and the amount of any such fee.

7. Paragraph 5 shall not require the licensee to produce any documents or provide any information which it could not be compelled to produce or give in evidence in civil proceedings before the court.

8. For the purposes of this condition;

**CSS Go-Live Date** means the time and date designated as such by the Authority.

**Standard Special Condition A33. Restriction on Use of Certain Information and Independence of the Transportation Business**

1. In this condition, and in Standard Special Condition A34 (Appointment of Compliance Officer):

“confidential information” means information relating to, or derived from, the transportation business which is not published or otherwise legitimately in the public domain;

“relevant generator” means the holder of an electricity generation licence which is an affiliate or related undertaking of the licensee;

“relevant producer” means a person who is an affiliate or related undertaking of a licensee who conveys gas to at least 100,000 premises, and who

a) gets gas from its natural condition in strata otherwise than as an unintended consequence of the storage of gas, and requires a licence under section 3 of the Petroleum Act 1998 to do so or would require such a licence if getting the gas in Great Britain; or

b) produces any other gas, including in particular biomethane, which is suitable for conveyance through pipes to premises in accordance with a gas transporter licence;

“relevant supplier” means the holder of an electricity or gas supply licence which is an affiliate or related undertaking of the licensee;

“relevant shipper” means a gas shipper which is an affiliate or related undertaking of the licensee;

“trading business” means:

a) activities connected with the acquisition and disposal of gas or electricity in Great Britain;

b) activities connected with the storage of gas at an offshore storage installation or storage cavities in natural strata; or

- c) activities connected with arranging with a gas transporter for gas to be introduced into, conveyed by means of or taken out of a pipe-line system operated by that transporter other than such activities relating to gas or electricity intended for consumption outside Great Britain as designated for the purposes of this condition by the Authority, and in the case of the licensee's trading business only, also excluding:
- i. such activities in connection with the supply of transportation services; or
  - ii. such activities as it may engage in with a gas shipper or with a person who benefits from an exemption under section 6A of the Act from the prohibition under section 5(1)(c) of the Act;

“meter-related services business” means the activities of the licensee in connection with the provision of meter-related services as defined in paragraph 1A of Standard Special Condition D17 (Provision and Return of Meters); and

“transportation business” shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) but for the purposes of this condition shall also include the licensee's metering business other than its meter-related services business.

2. Unless the Authority otherwise consents in writing, the licensee shall put in place and at all times maintain managerial and operational systems which prevent any relevant supplier, relevant shipper, relevant generator, relevant producer, any trading business, its meter-related services business or its meter reading business from having access to confidential information except and to the extent that such information:
- (a) is made available on an equal basis to any gas or electricity supplier or gas shipper, electricity generator, gas producer (within the meaning of section 7(10) of the Act) or any metering equipment manager (bearing the meaning of that expression contained in Standard Special Condition D17 (Provision and Return of Meters)); or
  - (b) relates to a customer who at the time to which the information relates was a customer of the relevant supplier.

3. The licensee shall at all times manage and operate the transportation business in a way calculated to ensure that it does not restrict, prevent or distort competition in the supply of electricity or gas, the shipping of gas, the generation of electricity, the production of gas, any trading business, or the supply of meter-related services or of meter reading services.
4. Unless otherwise directed by the Authority, the licensee shall no later than 1 May 2005 have in place a statement (in this condition “**the statement**”), approved by the Authority, describing the practices, procedures and systems which the licensee has adopted (or intends to adopt) to secure compliance with paragraphs 2 and 3.
5. Where the Authority does not indicate otherwise within 60 days of receipt of the statement, the statement shall be deemed to be approved by the Authority.
6. Unless the Authority otherwise consents in writing, the statement shall in particular (but without prejudice to the generality of paragraphs 2 and 3) set out how the licensee shall:
  - (a) maintain the full managerial and operational independence of the transportation business from any relevant supplier, relevant shipper, relevant generator, relevant producer, any trading business, its meter-related services business and its meter reading business;
  - (b) maintain the branding of the transportation business so that it is fully independent from the branding used by any relevant supplier, relevant shipper, relevant generator, relevant producer, any trading business, its meter-related services business or its meter reading business;
  - (c) secure that any arrangements for the use of or access to:
    - (i) premises or parts of premises occupied by persons engaged in, or in respect of, the management or operation of the transportation business;
    - (ii) systems for the recording, processing or storage of data to which persons engaged in, or in respect of, the management or operation of the transportation business also have access;
    - (iii) equipment, facilities or property employed for the management or operation of the transportation business; or
    - (iv) the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the transportation business;

by any relevant supplier, relevant shipper, relevant generator, relevant producer, any trading business, its meter-related services business or its meter reading business or by any person engaged in or in respect of the activities of such a relevant supplier, relevant shipper, relevant generator, any trading business, its meter-related services business or its meter reading business shall be such as to prevent any breach of the requirements of those paragraphs; and

- (d) manage the transfer of employees from the transportation business to any relevant supplier, relevant shipper, relevant generator, relevant producer, any trading business, its meter-related services business or its meter reading business.
7. The licensee shall revise the statement prepared in accordance with paragraph 4 where circumstances change such that the statement prepared in accordance with paragraph 4 no longer secures compliance with paragraphs 2 and 3. Such revision of the statement shall only become effective once the Authority has approved the revised statement in accordance with paragraphs 4 or 5.
  8. The licensee shall use its best endeavours to ensure compliance with the terms of the statement as from time to time revised and approved by the Authority.
  9. The licensee shall publish a copy of the approved statement prepared in accordance with paragraph 4 (or the latest approved version) on its company's website within fifteen working days of its approval by the Authority.

**Standard Special Condition A34. Appointment of Compliance Officer**

1. The licensee shall ensure, following consultation with the Authority that a competent person (who shall be known as the “**compliance officer**”) shall be appointed for the purpose of facilitating compliance by the licensee with Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business) and Standard Special Condition A35 (Prohibition of Cross-Subsidies).
2. The licensee shall at all times ensure that the compliance officer is engaged for the performance of such duties and tasks as the licensee considers it appropriate to assign to him for the purpose specified in paragraph 1, which duties and tasks shall include those set out at paragraph 5.
3. The licensee shall procure that the compliance officer:
  - (a) is provided with such staff, premises, equipment, facilities and other resources; and
  - (b) has such access to the licensee’s premises, systems, information and documentationas, in each case, he might reasonably expect to require for the fulfilment of the duties and tasks assigned to him.
- 3A. Where the holder of this licence is a DN operator, the licensee shall ensure that the compliance officer is sufficiently independent to comply with the requirements of Article 26(2)(d) of the Directive.
4. The licensee shall make available to the compliance officer a copy of any complaint or representation received by it from any person in respect of a matter arising under or by virtue of Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business).
5. The duties and tasks assigned to the compliance officer shall include:
  - (a) providing relevant advice and information to the licensee for the purpose of ensuring its compliance with relevant duties;
  - (b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with the statement referred to at paragraph 4 of Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business);

- (c) advising whether, to the extent that the implementation of such practices, procedures and systems requires the co-operation of any other person, they are designed so as reasonably to admit the required co-operation;
  - (d) investigating any complaint or representation made available to him in accordance with paragraph 4;
  - (e) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;
  - (f) providing relevant advice and information to the licensee for the purpose of ensuring its implementation of;
    - (i) the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 4 of Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business); and
    - (ii) any remedial action recommended in accordance with sub-paragraph (e); and
  - (g) reporting annually to the directors of the licensee – in respect of each year after this condition comes into force – as to his activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to him by the licensee.
6. As soon as is reasonably practicable following each annual report of the compliance officer, the licensee shall produce a report:
- (a) as to its compliance during the relevant year with the relevant duties; and
  - (b) as to its implementation of the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 4 of Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business).
7. The report produced in accordance with paragraph 6 shall in particular:
- (a) detail the activities of the compliance officer during the relevant year;
  - (b) refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 4 of Standard Special

Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business); and

- (c) set out the details of any investigations conducted by the compliance officer, including:
  - (i) the number, type and source of the complaints or representations on which such investigations were based;
  - (ii) the outcome of such investigations; and
  - (iii) any remedial action taken by the licensee following such investigations.
- 8. The licensee shall submit to the Authority a copy of the report produced in accordance with paragraph 6, and shall publish the report on its website.
- 9. Paragraphs 1 to 8 shall cease to apply if the Authority so directs, and the licensee may apply to the Authority for such a direction at any time.

**Standard Special Condition A35. Prohibition of Cross-Subsidies**

1. The licensee shall procure that the transportation business shall not give any cross-subsidy to, or receive any cross-subsidy from, any other business of the licensee or of an affiliate or related undertaking of the licensee.
2. In the event that the holder of this licence also owns one or more relevant gas transporters, the licences for which are held in the same legal entity, such that the holder of this licence is:
  - (a) an NTS operator; and/or
  - (b) a DN operator,the licensee acting as either an NTS operator or a DN operator, as the context requires, shall procure that:
  - (ii) it shall neither give any cross-subsidy to, or receive any cross-subsidy from, directly or indirectly, a DN operator or any other business operated by the holder of this licence pursuant to any such other gas transporter licence held by the holder of this licence; and/or
  - (iii) it shall neither give any cross-subsidy to, or receive any cross-subsidy from, directly or indirectly, an NTS operator or any other business operated by the holder of this licence pursuant to any such other gas transporter licence held by the holder of this licence.
3. If applicable, where the licensee is a DN operator that operates more than one distribution network no such distribution network shall be operated in a manner that gives any cross-subsidy to, or receives any cross-subsidy from, any other such distribution network.

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

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

- (c) the licensee from performing the supervisory or management functions of a holding company in respect of any subsidiary; or
  - (d) the licensee from carrying on any business or conducting any activity to which the Authority has given its consent in writing.
4. Nothing in this condition shall prevent the licensee or an affiliate or related undertaking of the licensee in which the licensee holds shares or other investments (a “**relevant associate**”) from conducting de minimis business as defined in this paragraph so long as the limitations specified in this paragraph are complied with:
- (a) For the purpose of this paragraph, “**de minimis business**” means any business or activity carried on by the licensee or a relevant associate or relevant associates other than:
    - (i) the business or activities falling within sub-paragraph (a), (b), or (c) of the definition of “permitted purpose” contained in Standard Special Condition A3 (Definitions and Interpretation);
    - (ii) any other business activity to which the Authority has given its consent in writing in accordance with paragraph 3(d); and
    - (iii) gas production.
  - (b) The licensee or a relevant associate may carry on de minimis business provided that neither of the following limitations is exceeded, namely:
    - (i) the aggregate turnover of all the de minimis business carried on by the licensee and the equity share of the aggregate turnover of all the de minimis business carried on by all its relevant associates does not in any period of twelve months commencing on 1 April of any year exceed 2.5 per cent of the aggregate turnover of the transportation business, the metering business and the meter reading business (excluding the turnover on transactions which each of those businesses make with each other) as shown by the most recent audited regulatory accounts of the licensee prepared under Standard Special Condition A30 (Regulatory Accounts); and
    - (ii) the aggregate amount (determined in accordance with sub-paragraph (d) below) of all investments made by the licensee in de minimis business, carried on by the licensee and all relevant associates, does not at any time after the date at which this condition takes effect in this

licence exceed 2.5 per cent of the sum of the share capital in issue, the share premium and the consolidated reserves (including retained earnings) of the licensee as shown by the most recent audited regulatory accounts of the licensee prepared under Standard Special Condition A30 (Regulatory Accounts) then available.

- (c) For the purpose of sub-paragraph (b) above, “**investment**” means any form of financial support or assistance given by or on behalf of the licensee for the de minimis business whether on a temporary or permanent basis and including (without limiting the generality of the foregoing) any commitment to provide any such support or assistance in the future.
- (d) At any relevant time, the amount of an investment shall be the sum of:
  - (i) the value at which such investment was included in the audited historical cost balance sheet of the licensee as at its latest accounting reference date to have occurred prior to 13 December 1999 (or, where the investment was not so included, zero);
  - (ii) the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by the licensee in respect of such investment in all completed accounting reference periods since such accounting reference date; and
  - (iii) all commitments and liabilities (whether actual or contingent) of the licensee relating to such investment outstanding at the end of the most recently completed accounting reference period,

less the sum of the aggregate gross amount of all income (whether of a capital or revenue nature) howsoever received by the licensee in respect of such investment in all completed accounting reference periods since the accounting reference date referred to in sub-paragraph (d)(i).

5 For the purposes of paragraph 4, “**equity share**”, in relation to any shareholding, means the nominal value of the equity shares held by the licensee in a relevant associate, as a percentage of the nominal value of the entire issued equity share capital of that relevant associate.

5A. For the purposes of this condition, “**gas production**” means the production of gas for the purpose of its conveyance through pipes to premises, or through a pipeline

system operated by a gas transporter or a transmission system operator, including where a licence is held under section 3 of the Petroleum Act 1998 for that purpose but not where such a licence is held for a different purpose.

### **Standard Special Condition A37. Availability of Resources**

1. The licensee shall at all times act in a manner calculated to secure that it has available to itself such resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, consents, and facilities, on such terms and with all such rights, as shall ensure that it is at all times able:
  - (a) to properly and efficiently carry on the transportation business of the licensee and
  - (b) to comply in all respects with its obligations under this licence and such obligations under the Act as apply to those activities authorised by this licence including, without limitation, its duty to develop and maintain an efficient, co-ordinated and economical system of gas transportation.

### **Certificates for the Authority in relation to financial resources**

2. The licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee's board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

- (a) Certificate 1F

"After making enquiries and having taken into account in particular (but without limitation) any dividend or other distribution that might reasonably be expected to be declared or paid by the licensee, the licensee's directors have a reasonable expectation that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transportation business for a period of 12 months from the date of this certificate."

or

- (b) Certificate 2F

"After making enquiries, and subject to what is explained below, having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the licensee's directors have a reasonable expectation, subject to what is explained below, that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transportation business for a period of 2 months from the date of this certificate."

However, the directors of the licensee would like to draw attention to the following factors, which may cast doubt on the licensee's ability to carry on the transportation business [followed by a description of the factors concerned].”

or

(c) Certificate 3F

“In the opinion of the licensee's directors, the licensee will not have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transportation business for a period of 12 months from the date of this certificate.”

### **Statement of factors and report by auditors in relation to financial resources certificate**

3. The licensee must ensure that the certificate given to the Authority under paragraph 2 is accompanied by:
  - a) a statement of the main factors that the licensee's directors have taken into account in giving that certificate including reference to:
    - i. the main financial resources and financial facilities available to the licensee;
    - ii. the most recent cash flow statement prepared for the licensee; and
  - b) a report prepared by its auditors and addressed to the Authority which states whether or not the auditors are aware of any inconsistencies between, on the one hand, that certificate and the statement submitted with it under subparagraph (a), and, on the other hand, any information that they obtained during their audit work under Standard Special Condition A30 (Regulatory Accounts) on the licensee's regulatory accounts.

### **Certificates for the Authority in relation to operational resources**

4. With effect from 1 August 2013, the licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee's board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:
  - (a) Certificate 1R

“After making enquiries the licensee's directors have a reasonable expectation that the licensee will have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents and facilities available to itself to

enable the licensee to carry on the transportation business for a period of 12 months from the date of this certificate.”

or

(b) Certificate 2R

“After making enquiries, and subject to what is explained below, the licensee’s directors have a reasonable expectation, subject to what is explained below, that the licensee will have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents and facilities available to itself to enable the licensee to carry on the transportation business for a period of 12 months from the date of this certificate.

However, the directors of the licensee would like to draw attention to the following factors, which may cast doubt on the licensee’s ability to carry on the transportation business [followed by a description of the factors concerned].”

or

(c) Certificate 3R

“In the opinion of the licensee’s directors, the licensee will not have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities available to itself to enable the licensee to carry on the transportation business for a period of 12 months from the date of this certificate.”

### **Statement of factors in relation to operational resources certificate**

5. The licensee must ensure that the certificate given to the Authority under paragraph 4 is accompanied by a statement of the main factors that the licensee’s directors have taken into account in giving that certificate.

### **Certificate for the Authority in relation to compliance with certain Standard Special Licence Conditions**

6. With effect from 1 August 2013, the licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee’s board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

(a) Certificate 1C

“After making enquiries the licensee’s directors consider that, at the time of their approval of this certificate, the licensee is in compliance in all material respects with all of the obligations imposed on it by Standard Special Condition A26 (Provision of Information to the Authority), Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing), Standard Special Condition A37 (Availability of Resources), Standard Condition 45 (Undertaking from Ultimate Controller), Standard Special Condition A38 (Credit Rating of the Licensee and resulting obligations) and Standard Special Condition A39 (Indebtedness).”

or

(b) Certificate 2C

“In the opinion of the licensee’s directors, the licensee is not at the time of their approval of this certificate in compliance in all material respects with all of the obligations imposed on it by Standard Special Condition A26 (Provision of Information to the Authority), Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing), Standard Special Condition A37 (Availability of Resources), Standard Condition 45 (Undertaking from Ultimate Controller), Standard Special Condition A38 (Credit Rating of the Licensee and resulting obligations) and Standard Special Condition A39 (Indebtedness).”

### **Obligation to report any adverse circumstances**

7. The licensee must inform the Authority in writing immediately if:
  - (a) the directors of the licensee become aware of any circumstance that causes them no longer to have the reasonable expectations expressed in the most recent certificate given under paragraph 2(a), 2(b), 4(a) or 4(b); or
  - (b) the directors of the licensee consider that any adverse circumstances that caused them to give the Authority a certificate in the form of Certificate 3F under paragraph 2(c) or Certificate 3R under paragraph 4(c) have materially worsened.

### **Certificates for the Authority in relation to dividends**

8. Subject to paragraph 11, the directors of the licensee must not declare or recommend a dividend, and the licensee must not make any other form of distribution within the meaning of sections 829, 830, 849 and 850 of the Companies Act 2006, or redeem or repurchase any share capital of the licensee, unless before declaring, recommending,

or making the distribution, redemption, or repurchase (as the case may be) the licensee has given the Authority a certificate that complies in all respects with the three requirements set out in paragraphs 9 and 10 below.

9. The first requirement is that the certificate must be in the following form:

“After making enquiries, the directors of the licensee are satisfied:

- (a) that, at the time of their approval of this certificate, the licensee is in compliance in all material respects with all of the obligations imposed on it by Standard Special Condition A26 (Provision of Information to the Authority), Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing), Standard Special Condition A37 (Availability of Resources), Standard Condition 45 (Undertaking from Ultimate Controller), Standard Special Condition A38 (Credit Rating of the Licensee and resulting obligations) and Standard Special Condition A39 (Indebtedness); and
- (b) that the making of a distribution, redemption, or repurchase of [value] on [date] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the licensee to be in breach to a material extent of any of those obligations in the future.”

10. The second and third requirements are that the certificate:

- (a) must have been approved by a resolution of the licensee’s board of directors passed not more than 14 days before the date on which the declaration, recommendation, or payment is to be made; and
- (b) must be signed by a director of the licensee.

11. The licensee need not give the Authority a certificate of the type referred to in paragraph 8 in circumstances where:

- (a) during the three months preceding the declaration or recommendation of a dividend, the making of any other form of distribution or the redemption or repurchase of share capital, it has given the Authority a certificate in the form of Certificate 1C under the requirement set out in paragraph 6 of this condition; and
- (b) that certificate includes an appropriate addendum using the form of the wording given at paragraph 9(b) of this condition.

12. Where the certificate given under paragraph 8, or relied upon under paragraph 11, relates to the declaration or recommendation of a dividend, the licensee is under no obligation to issue a further certificate before paying that dividend so long as such payment is made within six months of the date on which the certificate was given.

### **Requirement to maintain an intervention plan**

13. The licensee must prepare by 1 April 2014, or within 12 months of this condition coming into effect in respect of the licensee, whichever is the later, and thereafter, maintain an intervention plan fulfilling the criteria described in the definition of intervention plan in paragraph 15 below.
14. The requirement for the information described in any of sub-paragraphs (a) to (k) in the definition of intervention plan in paragraph 15 below to be included in the intervention plan will be satisfied if the plan provides details of other documents or records (including electronic records) where that information can be readily obtained and those documents or records are either maintained by the licensee itself or are available to the licensee at all times under a legal or contractual right.

### **Interpretation**

15. In this condition:

**“associate”** means:

- (a) an affiliate or related undertaking of the licensee;
- (b) an ultimate controller of the licensee;
- (c) a participating owner of the licensee; or
- (d) a common control company.

**“common control company”** means any company, any of whose ultimate controllers (applying the definition set out in Standard Special Condition A3 (Definitions and Interpretation) but substituting that company for the licensee) is also an ultimate controller of the licensee.

**“intervention plan”** means a document or set of documents (which may be in a suitably secure electronic format) containing information that would be sufficient to allow an energy administrator (within the meaning of Chapter 3 of Part 3 of the Energy Act 2004) readily to obtain information on:

- (a) the financial assets, resources, and facilities of the licensee;
- (b) the non-financial assets, rights, and resources of the licensee including information on key management and operational personnel and information technology systems;
- (c) the liabilities of the licensee, including contingent and contractual liabilities, with counterparty and maturity information;
- (d) the tax affairs of the licensee;
- (e) the personnel of the licensee and any pension schemes sponsored or administered by the licensee;
- (f) any mortgages, charges, or other forms of security over the licensee's assets;
- (g) the systems and processes by which the licensee carries on the transportation business with information on any significant contractual arrangements, including those that impose obligations on the licensee;
- (h) any arrangements under which the licensee has relinquished operational control over transportation assets (as that term is defined in Standard Special Condition A27 (Disposal of Assets and restrictions on charges over Receivables)) to an associate of the licensee;
- (i) any contractual rights to receive cash or other financial assets from any associate of the licensee;
- (j) any contractual obligations to deliver cash or other financial assets to any associate of the licensee; and
- (k) the licensee's arrangements and procedures for ensuring compliance with legislative requirements and with its obligations under this licence, including price control reporting requirements.

**“participating owner”** - For the purposes of the definition of associate above, a person is subject to a participating interest by another person (a participating owner) if:

- (a) that other person holds a participating interest in the person; or
- (b) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person.

**“participating interest”** has the meaning given in section 421A of the Financial Services and Markets Act 2000.16. NOT USED

**Standard Special Condition A38. Credit Rating of the Licensee and related obligations**

**Introduction**

1. The purpose of this condition is to place obligations on the licensee in respect of credit ratings, Published Rating Reports, Negative Rating Actions and Financial Resilience Reports.

**Part A: Obligation to maintain an Investment Grade Issuer Credit Rating**

2. The licensee must use reasonable endeavours to maintain an Investment Grade Issuer Credit Rating at all times.

**Part B: Obligation to provide Published Rating Reports**

3. Where a Negative Rating Action occurs in respect of the licensee or the licensee's credit rating is withdrawn, it must within a period of ten working days beginning with the date of the relevant Published Rating Report:
  - a. notify the Authority; and
  - b. if permitted by the relevant rating agency, provide the Authority with a copy of the Published Rating Report, or where the Published Rating Report relates to the wider group provide such parts as are relevant to the licensee.

**Part C: Obligation to provide Financial Resilience Reports**

4. The licensee must provide the Authority with a Financial Resilience Report within 60 days of 1 April 2021 or the date of a Negative Rating Action relating to the licensee (whichever is later), if:
  - a. the licensee's highest rating held for an Issuer Credit Rating or highest rating held for a Significant Instrument Credit Rating is one notch higher than the lowest Investment Grade and that Issuer Credit Rating or Significant Instrument Credit Rating is on Negative Watch;
  - b. the licensee's Issuer Credit Rating or Significant Instrument Credit Rating is the lowest Investment Grade or lower, or
  - c. the licensee has a debt covenant linked to a specific Issuer Credit Rating or Significant Instrument Credit Rating that would, if breached by the licensee, trigger an event of default under the relevant debt documents and that rating is either:

- i. one notch above the minimum covenant requirement and is on Negative Watch; or
- ii. lower than one notch above the minimum rating specified within the covenant requirement.

5. The Financial Resilience Report must include:

- a. an assessment of the licensee's current and forecast financial standing, including an assessment of resilience to downside scenarios relating to either operational performance or macro-economic events;
- b. financial projections for the next three Regulatory Years (including the remainder of the current year) or the remainder of the Price Control Period, whichever is longer; and
- c. details of Potential Mitigating Actions the licensee could take to improve its financial resilience and an indication of whether such actions are planned.

6. The financial projections required by paragraph 5(b) must include:

- c. a forecast balance sheet;
- d. income statements;
- e. cashflow statements;
- f. key financial metric projections; and
- g. results of any stress tests that the licensee considers to be appropriate.

**Standard Special Condition A39. Indebtedness**

1. In addition to the requirements of Standard Special Condition A27 (Disposal of Assets and restrictions on charges over Receivables), the licensee shall not without the prior written consent of the Authority (following the disclosure by the licensee of all material facts):
  - (a) create or continue or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into any guarantee or any obligation otherwise than:
    - (i) on an arm's length basis;
    - (ii) on normal commercial terms;
    - (iii) for a permitted purpose; and
    - (iv) (if the transaction is within the ambit of Standard Special Condition A27 (Disposal of Assets and restrictions on charges over Receivables)) in accordance with that condition;
  - (b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any associate of the licensee otherwise than by way of:
    - (i) a dividend or other distribution out of distributable reserves;
    - (ii) repayment of capital;
    - (iii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;
    - (iv) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and made in compliance with the payment condition referred to in paragraph 2;
    - (v) repayment of or payment of interest on a loan not prohibited by subparagraph (a);
    - (vi) payments for group corporation tax relief calculated on a basis not exceeding the value of the benefit received; or
    - (vii) an acquisition of shares or other investments in conformity with paragraph 2 of Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing) made on an arm's length basis and on normal commercial terms,

provided, however, that the provisions of paragraph 3 below shall prevail in any of the circumstances described or referred to therein;

- (c) enter into an agreement or incur a commitment incorporating a cross-default obligation; or continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation,

provided, however, that the provisions of sub-paragraph (c) shall not prevent the licensee from giving any guarantee permitted by and compliant with the requirements of sub-paragraph (a).

2. The payment condition referred to in paragraph 1(b)(iv) is that the consideration due in respect of the transaction in question is paid in full when the transaction is entered into unless either:
  - (a) the counter-party to the transaction has and maintains until payment is made in full an Investment Grade Issuer Credit Rating; or
  - (b) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an Investment Grade Issuer Credit Rating.
3. Except with the prior consent of the Authority, the licensee shall not enter into or complete any transaction of a type referred to or described in paragraph 1(b) save in accordance with paragraph 9, if any of the circumstances set out in paragraphs 4 to 8 applies.
4. The circumstance described by this paragraph is that the licensee does not hold an Investment Grade Issuer Credit Rating.
5. The circumstance described by this paragraph is that the licensee holds more than one Issuer Credit Rating, and one or more of the ratings so held is not Investment Grade.
6. The circumstance described by this paragraph is that any Issuer Credit Rating held by the licensee is BBB- by Standard & Poor's Ratings Group or Fitch Ratings Ltd or Baa3 by Moody's Investors Service, Inc. or BBB (low) by DBRS Ratings Ltd or any of its affiliates (or such higher Issuer Credit Rating as may be specified by any of these credit rating agencies from time to time as the lowest Investment Grade Issuer Credit Rating), or is an equivalent rating from another agency that has been notified to the

licensee by the Authority as of comparable standing for the purposes of Standard Special Condition A38 (Credit Rating of the Licensee and related obligations) and:

- (a) is on review for possible downgrade; or
- (b) is on Credit Watch or Rating Watch with a negative designation;  
or, where neither (a) nor (b) applies:
- (c) the rating outlook of the licensee as specified by any credit rating agency referred to in this paragraph 6 which at the relevant time has assigned the lower or lowest Investment Grade Issuer Credit Rating held by the licensee has been changed from stable or positive to negative.

7. The circumstance described by this paragraph is that the licensee has:

- (a) given the Authority a certificate in the form of Certificate 3F under the requirement set out in paragraph 2 of Standard Special Condition A37 (Availability of Resources) and has not subsequently given the Authority a certificate in the form of Certificate 1F or Certificate 2F as set out in the same condition; or
- (b) given the Authority a certificate in the form of Certificate 3R under the requirement set out in paragraph 4 of Standard Special Condition A37 (Availability of Resources) and:
  - (i) the opinion expressed in the certificate arises in whole or in part from circumstances affecting an associate of the licensee, and
  - (ii) the licensee has not subsequently given the Authority a certificate in the form of Certificate 1R or Certificate 2R as set out in the same condition;  
or
- (c) informed the Authority of any circumstance of the type set out in paragraph 7 of Standard Special Condition A37 (Availability of Resources) and:
  - i. the circumstances giving rise to the licensee's report relate to the licensee's financial resources and the licensee has not subsequently given the Authority a certificate in the form of Certificate 1F or 2F as set out in the same condition; or
  - ii. the circumstances giving rise to the licensee's report relate to the licensee's operational resources and:

- aa) relate in whole or in part to circumstances affecting an associate of the licensee; and
  - bb) the licensee has not subsequently given the Authority a certificate in the form of Certificate 1R or 2R as set out in the same condition.
- 8. The circumstance described by this paragraph is that the licensee has, after 1 April 2013, materially breached any formal covenant contained in any loan agreement, commercial paper, bond issue or committed facility that it has entered into with a counterparty, unless one of the following applies:
  - (a) the licensee has remedied the breach to the satisfaction of the counterparty concerned;
  - (b) the licensee has renegotiated the covenant or arrangement to the satisfaction of the counterparty concerned; and in either case (a) or (b) the remedy or renegotiation has been notified in writing to the Authority;or
  - (c) in response to a written request from the licensee, either the Authority has confirmed in writing, before the breach occurs, that the breach in question shall not trigger the provisions of paragraphs 3 and 9, or the Authority has not provided a substantive response to such a written request within seven days of receiving it.
- 9. Where under the provisions of paragraph 3, the licensee is prohibited from entering into or completing any transaction of a type referred to or described in paragraph 1(b), the licensee may not without the prior written consent of the Authority (following disclosure of all material facts) transfer, lease, license or lend any sum or sums, asset, right or benefit to any associate of the licensee as described or referred to in paragraph 1(b), otherwise than by way of:
  - (a) payment properly due for any goods, services or assets in relation to commitments entered into prior to the date on which the prohibiting circumstances arose, and which are provided on an arm's length basis and on normal commercial terms;
  - (b) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is paid in full when the transaction is entered into;

- (c) repayment of, or payment of interest on, a loan not prohibited by paragraph 1(a) and which was contracted prior to the date on which the prohibiting circumstances arose, provided that such payment is not made earlier than the original due date for payment in accordance with its terms; and
- (d) payments for group corporation tax relief calculated on a basis not exceeding the value of the benefit received, provided that the payments are not made before the date on which the amounts of tax thereby relieved would otherwise have been due.

105. In this condition:

“associate” means:

- a) an affiliate or related undertaking of the licensee;
- b) an ultimate controller of the licensee;
- c) a participating owner of the licensee; or
- d) a common control company.

“common control company” means any company, any of whose ultimate controllers (applying the definition set out in Standard Special Condition A3 (Definitions and Interpretation) but substituting that company for the licensee) is also an ultimate controller of the licensee.

“cross-default obligation” means a term of any agreement or arrangement whereby the licensee’s liability to pay or repay any debt or other sum arises or is increased or accelerated or is capable of arising, of increasing or of being accelerated by reason of a default (howsoever such default may be described or defined) by any person other than the licensee, unless:

- (i) that liability can arise only as the result of a default by a subsidiary of the licensee;
- (ii) the licensee holds a majority of the voting rights in that subsidiary and has the right to appoint or remove a majority of its board of directors; and
- (iii) that subsidiary carries on business only for a purpose within sub-paragraphs (a), (b), (c) or (d) of the definition of permitted purpose set out in Standard Special Condition A3 (Definitions and interpretation).

“indebtedness”	means all liabilities now or hereafter due, owing or incurred, whether actual or contingent, whether solely or jointly with any other person and whether as principal or surety, together with any interest accruing thereon and all costs, charges, penalties and expenses incurred in connection therewith.
“participating owner”	For the purposes of the definition of associate above, a person is subject to a participating interest by another person (a “ <b>participating owner</b> ”) if:  a) that other person holds a participating interest in the person; or b) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person.
“participating interest”	has the meaning given in section 421A of the Financial Services and Markets Act 2000.

## **Standard Special Condition A40. Regulatory Instructions and Guidance (RIGS)**

### **Introduction**

This condition sets out the scope, contents, and common governance arrangements for the RIGs.

1. The RIGs are the primary means by which the Authority directs the licensee to collect and provide the information to the Authority that the Authority needs to enable it to administer the special conditions of this licence and, where not referenced in the licence, the Final Determinations.
2. The Authority also uses this information in preparation of an Annual Report.

### **Part A: The RIGs**

3. The Authority will issue and amend the RIGs by direction
4. The Authority will maintain a current version of the RIGs on the Authority's Website.
5. Subject to paragraphs 6 and 7 of this condition, the RIGs will make provision for:
  - (a) instructions and guidance on the establishment of systems, processes, procedures, and ways for recording and providing Specified Information;
  - (b) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of Specified Information (including different classes of such information);
  - (c) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards;
  - (d) the methodology for calculating or deriving numbers comprising Specified Information;
  - (e) provision with respect to the meaning of words and phrases used in defining Specified Information;
  - (f) requirements as to the form and manner in which, or the frequency with which, Specified Information must be recorded;

- (g) requirements as to the form and manner in which, or the frequency with which, Specified Information must be provided to the Authority;
  - (h) requirements as to which (if any) of the Specified Information is to be subject to audit, the terms on which an auditor is to be appointed by the licensee for that purpose, and the nature of the audit to be carried out by that person;
  - (i) requirements as to the circumstances in which the Authority may appoint an examiner to examine the recording of the Specified Information by the licensee;
  - (j) a statement on whether and to what extent each category of the Specified Information is required for the purposes of the RIGs;
  - (k) provision about how the Authority intends to monitor, assess, and enforce compliance with the RIGs (as to which, see also Part E of this condition); and
  - (l) instructions and guidance on the standards of accuracy and reliability that are applicable to the commentary that supports the information provided by licensees under the RIGs (to enable the Authority to assess efficiency and delivery of value to consumers).
6. The provisions of the RIGs will not exceed what is reasonably required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions.
7. No Specified Information will exceed what could be requested from the licensee by the Authority under paragraph 1 of Standard Special Condition A26 (Provision of information to the Authority) excluding any reference to paragraph 5 of that condition.
8. Before issuing new RIGs or amending the RIGs the Authority will publish on the Authority's Website:
- (a) the proposed text of the new or amended RIGs;
  - (b) the date on which the Authority intends the new or amended RIGs to come into effect;
  - (c) the reasons for the new or amended RIGs; and

- (d) a period during which representations may be made on the new or amended RIGs which will not be less than 28 days.

- 9. The requirements paragraphs 8 of this condition may be satisfied by action taken by the Authority before, as well as by action taken after, 1 April 2021.

**Part B: Compliance with the RIGs**

- 10. The Licensee must comply with the RIGs
- 11. The licensee must have in place and maintain appropriate systems, processes, and procedures to enable it to:
  - a. Estimate, measure and record Specified Information; and
  - b. provide Specified Information to the Authority in accordance with the RIGs.
- 12. The accounting records and other records kept by the licensee with respect to the Specified Information must be:
  - a. separately identified and reasonably attributed as between the licensee's business and the business of any affiliate or related undertaking of the licensee; and
  - b. maintained for a period of eight years, or such shorter period as set out in the RIGs, from the date that they are made
- 13. The licensee must take all reasonable steps to validate and check that the Specified Information is complete, reliable and meets the standards prescribed by the RIGs
- 14. The licensee must, on or before each submission date, write to the Authority to confirm that, in its opinion, the Specified Information in respect of each Regulatory Year meets the standards prescribed by the RIGs
- 15. Nothing in this condition requires the licensee to provide any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

16.

**Part C: Requirements for new or more detailed information**

16. This Part C applies if any new or amended RIGs have the effect of introducing a requirement to provide:
- (a) a new category of Specified Information; or
  - (b) an existing category of Specified Information to a greater level of detail, which has not previously been collected by the licensee, whether under the provisions of the RIGs or otherwise.
17. Where this Part C applies, the licensee may provide estimates to the Authority in respect of the relevant category of Specified Information for any Regulatory Year specified by the Authority.
18. The estimates that are mentioned in paragraph 17 may be derived from such other information available to the licensee as may be appropriate for that purpose.

**Part D: Derogations**

19. The licensee may 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 by the Authority by direction after consulting the licensee.

**Part E: Interpretation**

20. For the purposes of this condition:

Annual Report means a report of that name published by the Authority under this condition

Authority's Website means [www.ofgem.gov.uk](http://www.ofgem.gov.uk);

Examiner means, in relation to the RIGs, a person whose degree of knowledge and experience of the matters that are the subject of the RIGs will enable him to properly carry out and complete the tasks required of him under the terms of his nomination by the Authority pursuant to the provisions of the RIGs;

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**Final Determinations** means the document of that name published on the Authority's Website in relation to the RIIO-2 price control;

**RIGs** means the Regulatory Instructions and Guidance published by the Authority under this condition;

**Specified Information** means information (or a category of information) that is so described or required in the RIGs.

**Standard Special Condition A41. Emergency Services to or on Behalf of Another Gas Transporter**

1. If so directed by the Authority after consultation with the Health and Safety Executive, the licensee shall offer to enter into an agreement with such other person for the time being holding a licence granted under section 7 of the Act as a gas transporter or any applicant for such a licence, as may be specified in the direction, relating to the provision of emergency services to or on behalf of that person (including where necessary the repair of pipes) where a major loss of supply has occurred.
2. For the purposes of paragraph 1, the terms of such an offer shall be such as are reasonable in all the circumstances, but may at the discretion of the licensee include terms providing for the recovery of all costs reasonably related to such emergency service provision, a reasonable commercial profit and appropriate indemnities against third party claims.
3. Nothing in this condition shall require the licensee to employ more staff or to maintain any stock of spares or equipment more extensive than it would otherwise employ or maintain for the purposes of its transportation business.
4. Any dispute over the terms of any offer made pursuant to this condition may be referred to the Authority for determination at the request of the licensee or the person named in the direction referred to in paragraph 1.

**Standard Special Condition A42: Requirement for sufficiently independent directors**

1. Subject to paragraph 11, except and to the extent that the Authority consents otherwise, the licensee must ensure that at all times after a date which is the later of:
  - (a) 1 April 2014; and
  - (b) 12 months after this condition comes into effect in respect of the licensee, it has at least two non-executive directors who meet the criteria set out in paragraphs 2, 3, and 5 below. In this condition such directors are referred to as “sufficiently independent directors”.
2. A sufficiently independent director must:
  - (a) be a natural person;
  - (b) in the reasonable opinion of the licensee, have the skills, knowledge, experience, and personal qualities necessary to perform effectively as a non-executive director of the licensee; and
  - (c) not have any executive duties within the transportation business.
3. Except and to the extent that the Authority consents otherwise, and subject to paragraph 4, a sufficiently independent director must not be, and must not have been during the 12 months before his appointment as a director of the licensee or the coming into force of this condition (whichever is the later):
  - (a) an employee of the licensee; or
  - (b) a director or employee of any associate of the licensee.
4. The reference to ‘director’ in sub-paragraph 3(b) does not include appointment as a non-executive director of:
  - (a) an associate of the licensee that is the holder of a gas transporter licence or an electricity transmission licence or an electricity distribution licence;
  - (b) a wholly-owned subsidiary of the licensee that has been incorporated by it solely for the purpose of raising finance for a permitted purpose (as that term is defined in Standard Special Condition A3 (Definitions and Interpretation));  
or
  - (c) a qualifying group company.
5. A sufficiently independent director must not:
  - (a) have, or have had during the 12 months before his appointment as a director or the coming into force of this condition (whichever is the later), any material business relationship with the licensee or any associate of the licensee;

- (b) hold a remit to represent the interests of any particular shareholder or group of shareholders of the licensee or the interests of any associate of the licensee; or
  - (c) receive remuneration from the licensee or any associate of the licensee apart from a director's fee and reasonable expenses.
- 6. For the purposes of sub-paragraphs 5(a) and 5(c) respectively:
  - (a) the holding of a small number of shares or associated rights shall not, of itself, be considered a material business relationship; and
  - (b) the receipt or retention of any benefit accrued as a result of prior employment by or service with the licensee or any associate of the licensee shall not be considered to be remuneration.
- 7. The licensee must notify the Authority of the names of its sufficiently independent directors within 14 days of the later of the two dates referred to in paragraph 1 and must notify the Authority within 14 days where any new directors are appointed to fulfil the obligation in paragraph 1 of this condition.
- 8. The terms of appointment of each sufficiently independent director must include a condition stipulating that both the licensee and the appointee will use their best endeavours to ensure that the appointee remains sufficiently independent during his term of office, having particular regard to the criteria set out in paragraphs 2, 3, and 5.
- 9. A term of appointment for a sufficiently independent director may not be for longer than eight years, but an individual may be reappointed thereafter provided that he continues to meet the criteria set out in paragraphs 2, 3, and 5.
- 10. The licensee must notify the Authority in writing within 14 days if any sufficiently independent director is removed from office or resigns, giving reasons for the removal or (to the extent that they are known to the licensee) the resignation. For the purposes of this requirement, the reasons for a resignation may, if appropriate, be stated to be personal reasons.
- 11. If at any time the licensee has fewer than two sufficiently independent directors because of a removal or resignation or other reason (including death or incapacity), the licensee must use its reasonable endeavours to ensure that a new director is, or new directors are, appointed to fulfil the obligation in paragraph 1 as soon as is

reasonably practicable to bring the number of sufficiently independent directors up to at least two.

12. Where the holder of this licence owns one or more relevant gas transporters, the licences for which are held in a single legal entity, references in this condition to “licensee” shall mean that single entity.

### Interpretation

13. In this condition:

“**associate**” means:

- (a) an affiliate or related undertaking of the licensee;
- (b) an ultimate controller of the licensee;
- (c) a participating owner of the licensee; or
- (d) a common control company.

“**common control company**” means any company, any of whose ultimate controllers (applying the definition set out in Standard Special Condition A3 (Definitions and Interpretation) but substituting that company for the licensee) is also an ultimate controller of the licensee.

“**participating owner**” - For the purposes of the definition of associate above, a person is subject to a participating interest by another person (a “**participating owner**”) if:

- (a) that other person holds a participating interest in the person; or
- (b) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person.

“**participating interest**” has the meaning given in section 421A of the Financial Services and Markets Act 2000.

“**qualifying group company**” means:

- (a) an immediate parent company of the licensee that holds 100% of the shares of the licensee and no other shares except for shares in one or more wholly-owned subsidiaries, each of which is the holder of a gas

transporter licence or an electricity transmission licence or an electricity distribution licence;

- (b) the parent company of a group whose other members may only include:
    - (i) a company meeting the criteria set out in sub-paragraph (a) or a subsidiary of such a company, of the type referred to in that sub-paragraph; and
    - (ii) intermediate holding companies between the parent company concerned and a company meeting the criteria set out in sub-paragraph (b)(i) provided that such intermediate holding companies:
      - (aa) have no shareholders other than the parent company concerned or another intermediate holding company; and
      - (bb) hold no shares other than shares in a company meeting the criteria set out in sub-paragraph (a) or shares in another intermediate holding company;
- and
- (c) intermediate holding companies meeting the criteria set out in sub-paragraph (b)(ii).

**Standard Special Condition A45. Assignment of Licence**

1. For the purposes of Section 8AA of the Act (Transfer of licences) the licensee, subject to the prior written consent of the Secretary of State, may only transfer its licence, either generally or in so far as relating to the whole or any part of an authorised area or any specified pipe-line system as defined in sub-section (1) of that section if –
  - (a) it complies with the procedure in section 8AA of the Act; and
  - (b) it obtains the prior written consent of the Secretary of State.

**Standard Special Condition A47. Charging of Gas Shippers – Domestic Infill Premises**

1. Where the licensee makes charges in accordance with Standard Special Condition A4 (Charging – General) the licensee may include a surcharge subject to the following conditions,
  - (a) from 1 January 2004 the maximum surcharge is 0.3412 pence per kWh of gas transported adjusted on 1 January of each subsequent year by a factor of  $\left(1 + \frac{RPI}{100}\right)$ . RPI means the value published in October of each year by the Authority and calculated as the percentage change (whether of a positive or a negative value) in the arithmetic average of the retail price index determined in respect of April to September (both inclusive) of the current calendar year and the arithmetic average of the retail price index determined with respect to April to September of the previous calendar year;
  - (b) the surcharge has a maximum duration of 20 years from when the surcharge to the relevant shipper first falls due;
  - (c) the surcharge may only apply to existing domestic premises which were in existence for not less than 6 months prior to the provision of the gas main extended specifically for connection of those premises, and which have not previously received a supply of natural gas;
  - (d) the licensee has, on request to provide a connection by the owner or occupier of the premises, extended a gas main to specifically connect the premises;
  - (e) the licensee must notify the Authority of the specified amount and specified duration as soon as reasonably practicable but in any event no later than 28 days prior to any such charge falling due; and
  - (f) the Authority may direct the licensee not to make the surcharge within 28 days of the notification in (e) above.

**Standard Special Condition A48. Last Resort Supply: Payment Claims**

1. This condition sets out the circumstances in which the licensee shall increase its transportation charges in order to pay any gas supplier (a “**claimant**”) or LRSP Permitted Assignee a last resort supply payment in accordance with the terms of a valid claim.
2. The following provisions apply where the licensee receives a valid claim for a last resort supply payment.
3. Where the licensee receives a valid claim it shall, during the relevant year or other subsequent years (as specified in the valid claim), make a consequential increase to its transportation charges during that year which relate to the conveyance of gas to premises (and secondary sub-deduct premises to which gas is conveyed as contemplated by sub-deduct arrangements) to such an extent as it reasonably estimates to be appropriate to secure that such consequential increase in its revenue equals the specified amount for each year, as set out in the valid claim.
- 3A. Where the licensee receives a valid claim that contains provision for the payment of the specified amount over a period longer than a year, the amount by which the licensee makes a consequential increase to its charges in each subsequent year pursuant to paragraph 3, shall be directed by the Authority no later than 31 December in the year prior to the start of the year in which the licensee will make a consequential increase in its charges or, where no direction is made, shall be the amount specified for the year in the valid claim.
- 3B. Where the licensee, in a current year, receives a valid claim, that contains provision for the licensee to adjust the payment of the specified amount for the remainder of that year, the amount by which the licensee shall make a consequential increase to its transportation charges for the remainder of that year pursuant to paragraph 3, shall be directed by the Authority no later than 31st July.
4. The licensee shall, during, or as soon as practicable after the end of, the relevant year or other subsequent years (as specified in the valid claim), pay to the claimant or LRSP Permitted Assignee in accordance with the valid claim, by quarterly or monthly instalments (as specified in the valid claim), the amount of that consequential increase in revenue mentioned in paragraph 3 and paragraph 3A where relevant to the extent that it does not exceed the specified amount for that year. Any payment of an amount to an LRSP Permitted Assignee shall discharge any requirement to pay that amount to the claimant.

5. Subject to paragraph 7A, if the amount paid under paragraph 4 is less than the specified amount for that year, the licensee shall in the following year –
  - (a) pay (in accordance with any directions given by the Authority) the shortfall together with 12 months' interest thereon; and
  - (b) increase the charges referred to in paragraph 3 during the year following the relevant year to such extent as it reasonably estimates to be appropriate to secure that the consequential increase in its revenue equals the amount of that shortfall together with 12 months' interest thereon.
  
6. Subject to paragraph 7A, if the amount of the consequential increase mentioned in paragraph 3 exceeds the specified amount for that year, the licensee shall, during the following year, decrease the charges referred to in paragraph 3 to the extent that it reasonably estimates to be necessary in order to reduce its transportation revenue for that year by an amount equal to the excess together with 12 months' interest thereon.
  
7. Any question whether any estimate for the purposes of paragraph 3, 5 or 6 is a reasonable one shall be determined by the Authority.
  
- 7A. Where the valid claim is to be subject to adjustment in accordance with paragraph 3A, the licensee shall notify the Authority of any difference between the specified amount for that year and the amount of the consequential increase made in respect of the same year in sufficient time for the Authority to take that difference (as it would have applied under paragraphs 5 or 6) into account in directing the specified amount to be paid by the licensee the following year pursuant to paragraph 3A. Paragraphs 5 and 6 will not apply where the Authority has taken into account such difference in its annual direction under paragraph 3A.
  
8. The licensee shall not enter into any transportation arrangements which do not permit variation of its transportation charges in pursuance of this condition.
  
9. The provisions of this condition shall have effect notwithstanding that the licensee has not provided any notice required by paragraph 2 of Standard Special Condition A4 (Charging – General).
  
10. In calculating the licensee's transportation revenue during any period for the purposes of a price control condition any increase or decrease in revenue attributable to the licensee's compliance with this condition shall be treated as if it had not occurred.

11. The licensee shall prepare, in respect of each year in which it increases or decreases charges in pursuance of paragraph 3, 5 or 6, a statement showing –
  - (a) the aggregate amount of its revenue derived from increases in charges in pursuance of paragraph 3;
  - (b) the aggregate amount of its revenue derived from increases in charges in pursuance of paragraph 5;
  - (c) the aggregate amount of the decrease in its revenue resulting from decreases in charges in pursuance of paragraph 6, and
  - (d) in the case of each last resort supply payment, the aggregate payments to the claimant made in respect of the year in question (whenever those payments were made).
  
12. The licensee shall give the statements referred to in paragraph 11 to the Authority within the first 4 months of the year following that to which they relate.
  
13. On giving the statement mentioned in paragraph 11(d) to the Authority, the licensee shall publish it in such manner as, in the reasonable opinion of the licensee, will secure adequate publicity for it.
  
14. Where the licensee receives more than one claim for a last resort payment, this condition (other than sub-paragraphs 11(a), (b) and (c)) shall apply separately as respects each separate claim but in so far as it results in changes to the licensee’s transportation charges it shall have the cumulative effect of such separate applications.
  
15. (a) For the purposes of this condition –

“**last resort supply direction**” and “**last resort supply payment**” have the meaning given to them in standard condition 1 (Definitions for standard conditions) of the standard conditions of the gas suppliers licence;

“**LRSP Permitted Assignee**” means a person to whom a gas supplier has assigned or otherwise disposed of all or any of its rights in relation to or arising from a Last Resort Supply Payment with the Authority's consent.

“**price control condition**” means any condition of the licence which places a monetary limitation on the transportation charges which may be levied or the

transportation revenue which may be recovered by the licensee during a given period;

**“relevant year”** means, in relation to any valid claim –

- (i) where the claim was received by the licensee by 31<sup>st</sup> December, the following year after the valid claim was received; or
- (ii) where the claim was received by the licensee after the 31<sup>st</sup> December the second year after the valid claim was received;

So, for example, if a valid claim was received before 31 December in year 1, the relevant year would be year 2. If a valid claim was received after 31 December in year 1, the relevant year would be year 3.

**“specified amount”** means the amount specified on a valid claim (or, where the context requires, the amount specified on a valid claim in respect of a particular year) together with any adjustment made by the Authority in accordance with paragraph 3A for that year;

**“valid claim”** means a claim for which a claimant has been given a consent by the Authority pursuant to standard condition 9 (Claims for Last Resort Supply Payment) of the standard conditions of the gas suppliers licence; and

**“year”** means a period of 12 months beginning on 1st April.

- (b) The interest referred to in paragraph 5, sub-paragraph (a) and paragraph 6 is simple interest for the period commencing with the date on which the claim was received by the licensee and ending with the date which is 61 days before the start of the relevant year, except where that period is of 30 days or less, in which case no interest shall be payable.

17. For the avoidance of doubt, the arrangements for administering increases to transportation charges in order to compensate any gas supplier which claims for losses that it has incurred in complying with a last resort supply direction, under the provisions of this condition, shall be administered by the Central Data Service Provider (as defined in Standard Special Condition A15 (Central Data Service Provider), unless the Authority otherwise consents in writing.

**Standard Special Condition A50. System Development Obligations**

1. Within 7 days of the licensee applying to the Authority under section 7(4) of the Act for an extension to its licence, the licensee shall make available details of the extension area applied for and shall send such details to –
  - (a) the Health and Safety Executive; and
  - (b) with effect from the date designated by the Authority under paragraph 1 of Standard Special Condition A51 (Information to be provided to a Designated Registrar of Pipes), the appropriate designated registrar of pipes.
  
2. The licensee shall not at any time execute any works for the construction of a high pressure pipe-line unless, not less than one year (or such shorter period as the Secretary of State may allow) before that time, it has given notice to the Health and Safety Executive:
  - (a) stating that it intends to execute the works;
  - (b) containing such particulars as are specified in, or as may from time to time be prescribed for the purposes of, section 22A (2) of the Act; and
  - (c) also containing, so far as they are not required by sub-paragraph (b) -
    - (i) the address of the licensee;
    - (ii) the address (if known) of the office from which the pipe-line, if constructed, would be operated;
    - (iii) particulars of both the normal and maximum permissible operating pressure of the proposed pipe-line; and
    - (iv) such particulars, if any, as may from time to time be designated for purposes of this paragraph in the routing guidelines, and has sent a copy of that notice to any planning authority through whose area the pipe-line is intended to run.
  
3. If after a notice under paragraph 2 has been given, the execution of the works to which the notice relates has not substantially begun at the expiration of three years from the date on which it was given or at the expiration of any extension of that period given by the Secretary of State, the notice shall cease to have effect for the purposes of that paragraph except in relation to such works (if any) as have already been executed.
  
4. Where the proposed routing of the pipe-line is not in accordance with the routing

guidelines –

- (a) the licensee shall so notify the Health and Safety Executive
  - (b) the licensee shall consult the Health and Safety Executive on the proposed routing; and
  - (c) if, within the period of 3 months beginning with the day on which the Health and Safety Executive was notified in pursuance of sub-paragraph (a) (or such longer period as may be agreed in writing between the licensee and the Executive), the Executive gives written notice to the licensee that it does not agree to the proposed routing (with or without modifications acceptable to the licensee), the licensee shall (unless it decides not to proceed with the proposed works) send to the Secretary of State a copy of the notice referred to in paragraph 2;
  - (d) if within the said period, the Health and Safety Executive -
    - (i) has agreed to the proposed routing (with or without modifications acceptable to the licensee); or
    - (ii) has not given the licensee such a notice as is referred to in subparagraph (c), the licensee may, subject to paragraphs 4 and 6, proceed with the proposed works.
5. Where a planning authority who have received a copy of the notice referred to in paragraph 2, within 2 months of receiving that copy, for reasons relating to safety (having regard to the routing guidelines and the risk criteria or, in the absence of such criteria, any advice given by the Health and Safety Executive) or otherwise, notify the licensee in writing that the proposed pipe-line would be likely to prejudice implementation of a material aspect of the planning authority's development plan –
- (a) the licensee shall consult the planning authority on the licensee's proposals;
  - (b) if, within the period of 3 months beginning with the day on which the planning authority notified the licensee as aforesaid (or such longer period as may be agreed in writing between the licensee and the planning authority), the planning authority gives written notice to the licensee that it does not agree to the licensee's proposals (with or without modifications acceptable to the licensee), the licensee shall (unless it decides not to proceed with the proposed works) send to the Secretary of State a copy of the notice referred to in paragraph 2;
  - (c) if, within the said period, the planning authority -
    - (i) have agreed to the licensee's proposals (with or without modifications

acceptable to it); or

- (ii) have not given the licensee such a notice as is referred to in subparagraph (b), the licensee may, subject to paragraphs 4 and 6, proceed with the proposed works.

6. If, within 6 months beginning with the day on which he received a copy of the notice referred to in paragraph 2, in pursuance of paragraph 4(c) or 5(b), the Secretary of State (having regard, as respects matters relating to safety, to the risk criteria or, in the absence of such criteria, any criteria as to risk formulated by the licensee and any representations made by the Health and Safety Executive in relation to the proposal) gives a direction to the licensee –

- (a) that the licensee shall not proceed with the construction of the pipe-line; or
- (b) that, if the licensee wishes to proceed with the construction of the pipe-line, the licensee shall satisfy such requirements as are specified in the direction including, in particular requirements as respects the routing of the pipe-line, the licensee shall comply with the direction.

7. Where the connection of any premises to the licensee’s pipe-line system would require the construction of a relevant main, any written quotation relating to that connection shall include a statement indicating that persons other than the licensee may be able to offer competitive quotations.

8. The licensee shall keep a record –

- (a) of the individual premises and pipe-line systems -
  - (i) which are connected to the pipe-line system to which this licence relates; and
  - (ii) to which, during the relevant period, gas has been conveyed by means of that pipe-line system;
- (b) of every gas shipper which has been a relevant shipper during the relevant period;
- (c) in respect of each such premises as are referred to in sub-paragraph (a), of any information with which it has been furnished –
  - (i) as to the relevant supplier which has, from time to time during the relevant period, supplied gas to the premises in question;
  - (ii) if, from time to time during the relevant period, gas conveyed to the premises in question has been supplied thereto otherwise than by a gas

- supplier, as to the circumstances which made it unnecessary that the gas be supplied by a gas supplier; and
- (iii) as to the ownership, from time to time during the relevant period, of any meter through which gas so conveyed was supplied; and
  - (iv) pursuant to standard condition 8 (Information as Respects Premises Served) of the standard conditions of gas shippers' licences or, where the licensed shipper is not only the relevant shipper but also the relevant supplier of the particular premises in question, standard condition 17 (Mandatory exchange of information) of the standard conditions of gas suppliers' licences as to whether the premises in question are domestic or non- domestic premises;
- (d) as to the contents of any notice given to the licensee during the relevant period under sub-paragraph (1) of paragraph 12 of Schedule 2B to the Act, and as to any information so given under sub-paragraph (3) of that paragraph or of any such notice or information which was given to a gas supplier and of which the licensee was informed during the relevant period;
- (e) as to any information with which the licensee has been provided, during the relevant period, in pursuance of arrangements made by a relevant supplier for the purposes of paragraph 7 of standard condition 26 (Services for specific Domestic Customer groups) of the standard conditions of gas suppliers' licences as incorporated in that supplier's licence;
- (f) as to any information given, or facts notified, to the licensee, during the relevant period, by a relevant shipper in pursuance of paragraph 3 or paragraph 4(k) of standard condition 11 (Supply and Return of, and Information etc Relating to, Gas Meters) of the standard conditions of gas shippers' licences as incorporated in that shipper's licence; and
- (g) as to the date of the most recent inspection of a gas meter of which the licensee has been notified, in pursuance of standard condition 17.12 (Information to Relevant Gas Shipper or Relevant Gas Transporter about premises) of the standard conditions of gas suppliers' licences as incorporated in a relevant supplier's licence.

9. In paragraph 8 “**the relevant period**” means –
- (a) the preceding 5 years, or
  - (b) if the licence has been in force for less than 5 years, the period since it came into force, or
  - (c) in the case of all or such of the sub-paragraphs of paragraph 8 as are specified in the consent, such shorter period to which the Authority may have consented.

10. Subject to the Authority, after having consulted the licensee, having directed for the purposes of this condition that this paragraph should have effect, either in all cases or in such cases as are specified or described in the directions and subject to such limitations (if any) as are so specified, where the licensee becomes aware-

- (a) that a gas shipper has become the relevant shipper: or
- (b) that a gas supplier has become the relevant supplier, in relation to particular premises,

it shall inform that gas shipper or, where subparagraph (b) applies, the relevant shipper, whether or not it has information recorded in pursuance of sub-paragraphs 8(c)(iv) and 8(e) which relates to the premises in question.

11. Where a gas supplier (“**the last resort supplier**”) has been given a direction under standard condition 8 (Obligations under Last Resort Supply Direction) of the standard conditions of gas suppliers’ licences as incorporated in that supplier’s licence to supply gas to customers of another supplier, then, if the Authority has given the licensee directions in that behalf, it shall promptly provide the last resort supplier with such information recorded by the licensee in pursuance of paragraph 8 as may be specified or described in the directions.

12. Paragraph Omitted

13. For the purpose of paragraph 8(a) -

- (a) where gas conveyed by the licensee to primary sub-deduct premises is conveyed from those premises to any secondary sub-deduct premises, the secondary sub-deduct premises shall be deemed to be connected to the pipeline system operated by the licensee, and
- (b) where gas has, during the relevant period, been so conveyed to the secondary

subdeduct premises, it shall be deemed to have been so conveyed by means of that pipe-line system.

14. In this condition –

the “**risk criteria**” means the risk based criteria, if any, which have -

- (a) been formulated and adopted by the Health and Safety Executive after consultation with the persons who hold licences under section 7(2) of the Act at the time of such adoption; and
- (b) been designated for the purposes of this condition generally by the Secretary of State, or any revision of such criteria so formulated and adopted and so designated; and

the “**routing guidelines**” means the guidelines designated as such by the Secretary of State after consultation with the Health and Safety Executive and the persons who hold licences under section 7(2) of the Act at the time of such designation or any revision of such guidelines so designated.

15. Without prejudice to paragraph 4 of Standard Special Condition A3 (Definitions and Interpretation), paragraphs 2 to 6 of this condition shall be interpreted and construed as if section 22A(3) and (4) of the Act applied to them.

## **Standard Special Condition A55. Data Assurance Requirements**

### **Introduction**

1. This condition sets out the processes and activities the licensee must undertake to reduce the risk, and subsequent impact and consequences, of any inaccurate or incomplete reporting, or any misreporting, of information to the Authority.
2. It outlines the process the Authority will follow in issuing and amending the Data Assurance Guidance.

### **Part A: Licensee's obligations**

3. The licensee must:
  - (a) comply with the provisions of the Data Assurance;
  - (b) where required to provide Data under the provisions of this licence, provide Data which complies with the requirements set out in the Data Assurance Guidance;
  - (c) subject to paragraph 4, where required to provide Data under the provisions of this licence, provide accurate and complete Data;
  - (d) carry out a Risk Assessment in accordance with such provisions and timescales as are specified for that purpose in the Data Assurance Guidance, and ensure that it has used its best endeavours to mitigate such risks as it has identified in that assessment;
  - (e) if directed by the Authority, procure an independent review of its Data Assurance Activities in accordance with such provisions and timescales as are specified for that purpose in the Data Assurance Guidance; and
  - (f) provide to the Authority, in accordance with such provisions and timescales as are specified for that purpose in the Data Assurance Guidance, reports that contain:
    - (i) the results of the licensee's Risk Assessment conducted under subparagraph (c);
    - (ii) a description of the Data Assurance Activities that the licensee intends to undertake concerning expected future Data submissions for the for the relevant reporting period set out in the Data Assurance Guidance;

- (iii) a description of the Data Assurance activities undertaken by the licensee concerning previously submitted Data for the relevant reporting period set out in the Data Assurance Guidance; and
  - (iv) if required, the details and results of the independent review procured by the licensee of its Data Assurance Activities.
4. Data provided to the level of accuracy and reliability required under the relevant licence condition will be considered to be accurate and complete for the purposes of this condition.
  5. The licensee must have in place and maintain appropriate systems, processes, and procedures to enable it to perform its obligations under paragraph 3.
  6. The licensee must comply with any direction given by the Authority that requires it to carry out (or, where appropriate, to procure and facilitate the carrying out of) a specific Data Assurance Activity in accordance with the provisions of Part C.

**Part B: Data Assurance Guidance**

7. The Authority will issue and amend the Data Assurance Guidance by direction
8. The Authority will publish the Data Assurance Guidance on the Authority’s Website
9. The Data Assurance Guidance will include, or make provision for, any of the following matters:
  - (a) the Data to which the Risk Assessment applies;
  - (b) the format (including its form, layout, scope and content) of the Risk Assessment;
  - (c) the frequency with which and the timescales within which the Risk Assessment is required to be carried out;
  - (d) the format (including its form, layout, scope and content) of any independent review that may be required of the licensee’s Data Assurance Activities and the associated reporting requirements;
  - (e) the format (including its form, layout, scope and content) of the reporting requirements detailed in paragraph 3(e);
  - (f) the frequency with which and the timescales within which the Licensee should report on its Data Assurance Activities to the Authority; and
  - (g) the time period(s) to which required reports must relate

10. The provisions of the Data Assurance Guidance will not exceed what is required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions relative to the impact on consumers of data reporting errors.
11. Information requested by the Authority under or pursuant to the requirements of the Data Assurance Guidance will not exceed what could be requested from the licensee by the Authority pursuant to Standard Special Condition A26 (Provision of information to the Authority).
12. Before issuing or amending the Data Assurance Guidance by direction the Authority will publish on the Authority's Website:
  - (a) the proposed text of the new or amended Data Assurance Guidance;
  - (b) the date on which the Authority intends the new or amended Data Assurance Guidance to come into effect
  - (c) the reasons for the new or amended Data Assurance Guidance; and
  - (d) a period during which representations may be made on the new or amended Data Assurance Guidance, which will not be less than 28 days

**Part C: Licensee's obligation to carry out a Data Assurance Activity**

13. The licensee, must comply with any direction, by the Authority requiring the licensee to carry out (or, where appropriate, to procure and facilitate the carrying out of) such Data Assurance Activity as may be specified in the direction.
14. Before issuing a direction under paragraph 12 the Authority will publish on the Authority's Website:
  - a. The text of the proposed direction;
  - b. (b) the date on which the Authority intends the direction to come into effect;
  - c. the reasons why it must:proposes to issue the direction; and
  - d. a period during which representations may be made on the proposed directions which will not be less than 28 days.
15. The direction will set out;
  - (a) a description of the Data Assurance Activity to be carried out by the licensee (or, where appropriate, by a person nominated by the Authority) for the purpose of ensuring the accuracy and completeness of data provided to the Authority;

- (b) that if it refers to a person nominated by the Authority, the steps that must be taken by the licensee to procure and facilitate the carrying out of that activity by that person;
- (c) a description of the Data to which the activity that is described in the direction must apply;
- (d) an explanation of why the Authority requires the licensee to carry out that activity;
- (e) any relevant dates by which that activity must be completed; and
- (f) the form and content of any information relating to that activity that the licensee must provide to the Authority.

**Part D: Derogations**

16. The licensee may 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 by the Authority by direction after consulting the licensee.

**Part E: Interpretation**

17. For the purposes of this condition:

**Data** means the relevant submissions to the Authority under this licence in respect of which the licensee must carry out a Risk Assessment, as specified in the Data Assurance Guidance;

**Data Assurance Activity** means, in respect of Data, the activity undertaken by the licensee (or a person nominated by the Authority, as the case may be) to address the risks identified in the Risk Assessment; and

**Risk Assessment** means an assessment of the likelihood and potential impact of any inaccurate or incomplete reporting, or any misreporting, of data by the licensee to the Authority under this licence.

## **Standard Special Condition A56. Housekeeping Licence Modifications**

### **Introduction**

1. The purpose of this condition is to provide a process for making Housekeeping Modifications to the conditions of this licence.

### **Part A: Assessment of proposed modification**

2. Before initiating any modification under this condition, the Authority will assess whether that modification is a Housekeeping Modification.
3. In making the assessment required by paragraph 2, the Authority will have regard to all relevant factors including the views of the Housekeeping Modification Working Group.

### **Part B: Circumstances in which a modification may be made**

4. If, having carried out the required assessment under Part A, the Authority considers that an intended modification of the conditions of this licence is a Housekeeping Modification, it may modify the licence by direction to implement the intended modification. Otherwise any modification will be made under section 23 of the Act.
5. Before making a direction under paragraph 4, the Authority will publish on the Authority's Website:
  - a. the text of the proposed direction;
  - b. the reasons for the proposed direction, including why the Authority believes that it is a Housekeeping Modification; and
  - c. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
6. A direction under paragraph 4 will set out:
  - a. the modification to the conditions of this licence; and
  - b. the date on which it is to have effect or the mechanism by which that date is to be determined.

## **Standard Special Condition A57. Exit Capacity Planning**

### **Introduction**

1. The purpose of this condition is to require the licensee to have in place processes and to undertake activities for the purpose of managing its NTS exit capacity planning and ensuring its booking process is efficient, for all the parties involved, to a reasonable and proportionate extent

### **Part A: Licensee's obligations under this condition**

2. The licensee must comply with the provisions of the ECP Guidance when planning and managing its NTS exit capacity booking process.
3. The licensee must have in place and maintain appropriate systems, processes and procedures to enable it to comply with the provisions of the ECP Guidance.

### **Part B: ECP Guidance**

4. The Authority will issue and amend the ECP Guidance by direction.
5. The Authority will publish the ECP Guidance on the Authority's Website.
6. The ECP Guidance will make provision about:
  - a. the methodology, but not specific methods, used for forecasting and planning exit capacity requirements;
  - b. the ways in which the licensee engages with other stakeholders as part of the exit capacity planning process;
  - c. the reporting that must be produced by the licensee in relation to any aspect of the exit capacity planning process.
7. Before directing that the ECP Guidance comes into effect the Authority will publish on the Authority's Website:
  - a. the text of the proposed ECP Guidance;
  - b. the date on which the Authority intends the ECP Guidance to come into effect; and
  - c. a period during which representations may be made on the content of the ECP Guidance, which will not be less than 28 days.
8. Before directing an amendment to the ECP Guidance, the Authority will publish on the Authority's Website:

- a. the text of the amended ECP Guidance;
- b. the date the Authority intends the amended ECP Guidance to come into effect;
- c. the reasons for the amendments to the ECP Guidance; and
- d. a period during which representations may be made on the amendments to the ECP Guidance, which will not be less than 28 days.

### **Part C: Derogations**

9. The licensee may 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 by the Authority by direction.

**PART B: STANDARD SPECIAL CONDITIONS APPLICABLE TO ALL NTS LICENSEES:**

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

1. The licensee shall build sufficient cross-border capacity to integrate cross-border 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 certification decision under section 8F(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.
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 the licensee knows or reasonably should know that, on or after IP completion day, 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 country outside of the United Kingdom, or that a person from a 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, on or after IP completion day, 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 country outside of the United Kingdom, or a person from a country outside of 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; 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.

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 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.
  
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 anticompetitive conduct is excluded.
  
3. In this condition:  
  
“vertically integrated undertaking” has the meaning given in the Act.

**Standard Special Condition B6. Application of Standard Special Conditions B7, B8, B9, B10, B11 and B12**

- 1 Subject to the operation of this condition, Standard Special Conditions B7 (Provision of Meters), B8 (Provision of Terms), B9 (Non-discrimination in the provision of Metering Activities), B10 (Provision of services for specific domestic customer groups), B11 (Arrangements for access to premises) and B12 (Reporting on performance) (in whole or in part) shall not be in effect in this licence.
  
- 2 If the Authority consents, pursuant to section 8AA of the Act, to the transfer of the gas transporter licence as held (as at 1 April 2016) by National Grid Gas plc (the company registered in England and Wales under company number 02006000) in respect of its distribution networks, the Authority may issue a direction to the licensee specifying that Standard Special Conditions B7, B8, B9, B10, B11 and B12 shall be in effect within this licence from the date of such consent.

**Standard Special Condition B7. Provision of Meters**

1. Subject to Standard Special Condition B6 (Application of Standard Special Conditions B7, B8, B9, B10, B11 and B12), this condition shall not be in effect in this licence.
2. This condition applies only in relation to the provision of gas meters other than:
  - (a) a gas meter capable of forming part of a smart metering system;
  - (b) an advanced domestic meter; or
  - (c) a prepayment advanced domestic meter.
3. Except in so far as the Authority otherwise consents, the licensee shall comply with any reasonable request by a relevant gas transporter, pursuant to paragraph 2(b) of Standard Special Condition D17 (Provision and Return of Meters) of the DN operator gas transporter licence, to provide, through a metering equipment manager and install at the premises of a domestic customer, a gas meter owned by the licensee and of a type specified by the supplier subject, however, to a meter of that type being reasonably available to the licensee and the supplier agreeing to pay the licensee's charges in respect of that meter.
4. Where any gas meter owned by the licensee is disconnected by, or returned to, the licensee it shall promptly make an appropriate record of the details displayed on the register of the meter at the time of disconnection or return and of such other information in its possession as shall subsequently enable the identity of, and the date of disconnection or return of, the meter and the premises from which it was disconnected to be ascertained, and shall keep such a record for a period of not less than 2 years from the date of the disconnection or return, whichever is the later.
5. Where the licensee has reasonable cause to believe that any gas meter owned by it and disconnected by, or returned to, it is or may be relevant to -
  - (a) any investigation, proceedings or possible proceedings relating to the alleged theft of gas by any person or to an alleged offence under paragraph 10(1) of Schedule 2B to the Act; or
  - (b) any dispute as to the accuracy of the meter,the licensee shall use all reasonable endeavours to keep the meter in safe custody in the standard condition in which it was when disconnected or returned and with the register unaltered -
  - (i) during the period of 6 months beginning with the date on which the meter was disconnected or returned, for as long as the licensee continues to have reasonable cause to believe that the meter is or may be so relevant; and

- (ii) thereafter, for as long as, to the licensee's knowledge, the meter is so relevant.
- 6. When the licensee receives, in connection with a proposed connection or disconnection of a meter, such a notice as is mentioned in sub-paragraph (1) of paragraph 12 of Schedule 2B to the Act or receives information in pursuance of sub-paragraph (3) of that paragraph, it shall promptly give the relevant shipper a copy thereof and furnish it with any further information relating to the meter which is requested by the relevant shipper and which the licensee either has or may readily obtain.
- 7. Subject to any direction given by the Authority, paragraphs 4 to 6 of this condition shall cease to have effect on 31 December 2024

**Standard Special Condition B8. Provision of Terms**

1. Subject to Standard Special Condition B6 (Application of Standard Special Conditions B7, B8, B9, B10, B11 and B12), this condition shall not be in effect in this licence.
2. This condition applies only in relation to the provision of gas meters other than:
  - (a) a gas meter capable of forming part of a smart metering system;
  - (b) an advanced domestic meter; or
  - (c) a prepayment advanced domestic meter.
3. Where the licensee receives a request from a relevant gas transporter, pursuant to paragraph 2(b) of Standard Special Condition D17 (Provision and Return of Meters) of the DN operator gas transporter licence, the licensee shall provide to the supplier the terms provided for in paragraph 5.
4. Where the licensee is required to provide the services described in paragraph 3 of Standard Special Condition B7, it shall be the duty of the licensee to provide those services on reasonable terms.
5. The terms referred to in paragraph 3 are the licensee's terms regarding:
  - (a) the date by which the services required shall be provided (time being of the essence unless otherwise agreed between the parties);
  - (b) the charges to be paid in respect of the services required, such charges (save to the extent set out in any direction under paragraph 12 or unless manifestly inappropriate):
    - (i) to be presented in such a way as to be referable to the statements prepared in accordance with paragraph 7 of this condition, or any revision thereof; and
    - (ii) to be set in conformity with the requirements of paragraphs 6 to 9 of this condition; and
  - (c) such other detailed terms in respect of each of the services required as are or may be appropriate for the purpose of the agreement.
6. The licensee shall provide to the supplier such terms as are referred to in paragraph 5 as soon as practicable and (save where the Authority consents to a longer period) in any event not more than 28 days after receipt by the licensee from the relevant gas transporter of any request containing all such information as may reasonably be required for the purpose of formulating the terms of the agreement.

7. The licensee shall as soon as reasonably practicable prepare statements in a form approved by the Authority setting out:
  - (a) the basis upon which charges for the provision of services of a type described in paragraph 3 will be made; and
  - (b) information relating to the other terms that will apply to the provision of each service,

in each case in such form and with such detail as shall be necessary to enable any supplier to make a reasonable estimate of the charges to which he would become liable for the provision of such services and of the other terms, likely to have a material impact on the conduct of his business, upon which the service would be provided and (without prejudice to the foregoing) including the information set out in paragraph 8.

8. The statements referred to in paragraph 7 shall include:
  - (a) a schedule of charges for such services; and
  - (b) an explanation of the methods by which and the principles on which such charges will be calculated.
9. The licensee may periodically review the information set out in and, with the approval of the Authority, alter the form of the statements prepared in accordance with paragraph 7 and shall, at least once in every year that this licence is in force, make any necessary revisions to such statements in order that the information set out in the statements shall continue to be accurate in all material respects.
10. The licensee shall send a copy of the statements prepared in accordance with paragraph 7, and of each revision of such statements in accordance with paragraph 9, to the Authority.
11. The licensee shall give or send a copy of the statements prepared in accordance with paragraph 7, or (as the case may be) of the latest revision of such statements in accordance with paragraph 9, to any supplier following a request from a relevant gas transporter, pursuant to paragraph 2(b) of Standard Special Condition D17 (Provision and Return of Meters) of the DN operator gas transporter licence, who requests a copy of such statement or statements.

12. The licensee may make a charge for any statement given or sent pursuant to paragraph 11 of an amount which shall not exceed the amount specified in directions issued by the Authority for the purposes of this condition based on the Authority's estimate of the licensee's reasonable costs of providing such a statement.
13. The Authority, having regard, in particular, to any representations made to it by the licensee, and other persons may issue a direction relieving the licensee of its obligations under this condition to such extent and subject to such terms and conditions as it may specify in that direction.
14. Subject to any direction given by the Authority, the provisions of standard special conditions B7 and B8 of this licence shall cease to have effect on 31 December 2024.
15. For the purposes of Standard Special Conditions B7 and B8:

advanced domestic meter	has the same meaning as that provided in Condition 25B.16 (Definitions for the purposes of interoperability of advanced domestic meters) of the standard conditions of the gas supply licence
metering equipment manager	has the same meaning as that provided in paragraph 1A of Standard Special Condition D17 (Provision and Return of Meters) of the DN operator gas transporter licence.
prepayment advanced domestic meter	has the same meaning as that provided in Condition 25B.16 of the standard conditions of the gas supply licence.
relevant gas transporter'	has the same meaning as that provided in paragraph 1 of Standard Special Condition A3 (Definitions and Interpretation).
smart metering system	has the same meaning as that provided in Condition 1 (Definition for standard conditions) of the standard conditions of the gas supply licence.
supplier	references to supplier in Standard Special Conditions B7 and B8 are a reference to the relevant supplier (as defined in Standard Special Condition A3 (Definitions and Interpretation)) who has made a request, pursuant to paragraph 1 of Standard Special Condition D17 of the DN operator gas transporter licence, and which forms the basis of a request from a relevant gas transporter to the licensee,

pursuant to paragraph 2(b) of Standard Special Condition D17 of the DN operator gas transporter licence.

**Standard Special Condition B9. Non-discrimination in the Provision of Metering Activities**

1. Subject to Standard Special Condition B6 (Application of Standard Special Conditions B7, B8, B9, B10, B11 and B12), this condition shall not be in effect in this licence.
2. The licensee shall avoid undue discrimination and undue preference between any persons or class or classes of persons in the provision of metering activities.
3. Without prejudice to paragraph 2 and subject to paragraph 5 of this condition, the licensee shall not make charges for the provision of metering activities to any supplier or class or classes of supplier which differ in respect of any item separately identified in the statements referred to in paragraph 7 of Standard Special Condition B8 (Provision of Terms) from those for the provision of metering activities to any other gas supplier or class or classes of supplier except insofar as such differences reasonably reflect differences in the costs associated with such provision.
4. Notwithstanding paragraph 3 of this condition, the licensee shall not make any charges in respect of metering activities in respect of any item of charge separately identified in the statements referred to in paragraph 7 of Standard Special Condition B8 (Provision of Terms) on any supplier whose contract does not provide for him to receive the activity to which such item of charge refers.
5. The licensee shall not in setting charges in respect of metering activities restrict, distort or prevent competition in the supply or conveyance of gas.

### **Standard Special Condition B10. Provision of services for specific domestic customer groups**

1. Subject to Standard Special Condition B6 (Application of Standard Special Conditions B7, B8, B9, B10, B11 and B12), this condition shall not be in effect in this licence.

#### **Arrangements in respect of meters**

2. Where a relevant supplier or a gas supplier who is about to become such a supplier has –

(a) pursuant to paragraph 1(d) of standard condition 26 (Services for specific Domestic Customer groups) of its supply licence transmitted to the licensee a request for the repositioning of a meter owned by the licensee; and

(b) undertaken to pay the licensee's reasonable expenses in complying with the request,

then, so far as it is reasonably practicable and appropriate for it to do so, the licensee must comply with the request.

#### **Services for vulnerable domestic customers**

3. If a domestic customer who is of pensionable age, disabled, or chronically sick asks it to do so, the licensee must, free of charge, agree a password with that customer that can be used by any representative of the licensee to enable the customer to identify that person for the purpose of carrying out necessary work for which the password was agreed.

4. The licensee must provide facilities, free of charge to domestic customers, which enables any domestic customer who is:

(a) blind or partially sighted; or

(b) deaf or hearing-impaired and in possession of appropriate equipment,

to ask or complain about any service provided by the licensee.

#### **Provision of information**

5. The licensee must prepare a statement, in plain and intelligible language, that sets out and explains its arrangements for complying with its obligations under this condition.
6. In relation to the statement prepared under paragraph 5, the licensee must:
  - (a) publish the statement on and make it readily accessible from its website;
  - (b) at least once each year, take all reasonable steps to inform domestic customers whose premises are connected to the pipe-line system, of the existence of the statement and how to obtain it;
  - (c) when asked to do so, provide to a domestic customer whose premises are connected to the pipe-line system and who is blind, partially sighted, deaf, or hearing-impaired, the statement in a manner or a format that is suitable for that customer's special communication needs;
  - (d) when asked to do so, provide to a domestic customer whose premises are connected to the pipe-line system and whose first language is not English, such assistance or advice as will enable that customer to understand the contents of the statement; and
  - (e) give a copy of the statement on request and free of charge to any person.
7. The statement prepared under paragraph 5 may, at the licensee's choice, be published as a single document that may also include the statements referred to in Standard Special Condition B11 (Arrangements for access to premises)
8. For the purposes of this condition:

“pensionable age” has the meaning given in section 48(2B) of the Act

**Standard Special Condition B11. Arrangements for access to premises**

1. Subject to Standard Special Condition B6 (Application of Standard Special Conditions B7, B8, B9, B10, B11 and B12), this condition shall not be in effect in this licence.
2. The licensee must take all reasonable steps to ensure that each representative of the licensee who visits a customer's premises on its behalf:
  - (a) possesses the skills necessary to perform the required function;
  - (b) can be readily identified as a representative of the licensee by a member of the public;
  - (c) uses any password that the licensee has agreed with the customer in accordance with paragraph 3 of Standard Special Condition B10 (Provision of services for specific domestic customer groups);
  - (d) is a fit and proper person to visit and enter the customer's premises; and
  - (e) is able to inform the customer, on request, of the gas emergency helpline number.
3. The licensee must take all reasonable steps, where a representative exercises the powers of entry conferred by Schedule 2B (the Gas Code) to the Act, to avoid undue disturbance to owners or occupiers of premises as a result of visits being made to their premises by its representatives and the representatives of other licence holders exercising powers of entry for like purposes.
4. The licensee must prepare a statement that sets out, in plain and intelligible language, its arrangements for complying with its obligations under paragraph 2.
5. In relation to the statement prepared under paragraph 4 the licensee must:
  - (a) publish that statement on and make it readily accessible from its website ;
  - (b) at least once each year, take all reasonable steps to inform customers whose premises are connected to the pipe-line system of the existence of the statement and how to obtain it;
  - (c) when asked to do so, provide to a customer whose premises are connected to the pipe-line system and, who is blind, partially sighted, deaf, or hearing-impaired, the statement in a manner or a format that is suitable for that customer's special communication needs;
  - (d) when asked to do so, provide to a customer, whose premises are connected to the pipe-line system and whose first language is not English, such assistance or

advice as will enable that person to understand the contents of the statement;  
and

- (e) give a copy of the statement on request and free of charge to any person.
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- 6. The statement prepared under paragraph 4 may, at the licensee's choice, be prepared and published as a single document that may also include the statements referred to in Standard Special Condition B10 (Provision of services for specific domestic customer groups)
  
  - 7. In paragraph 3, the reference to visiting premises includes a reference to entry under the authority of a warrant obtained under the Rights of Entry (Gas and Electricity Boards) Act 1954.

### **Standard Special Condition B12. Reporting on Performance**

1. Subject to Standard Special Condition B6 (Application of Standard Special Conditions B7, B8, B9, B10, B11 and B12), this condition shall not be in effect in this licence.
2. The licensee must provide the Authority and Citizens Advice and Consumer Scotland with information specified by the Authority relating to matters that it reasonably considers are relevant to the licensee's customers in relation to Standard Special Condition B10 (Provision of services for specific domestic customer groups), Standard Special Condition B11 (Arrangements for access to premises)
8. The information provided by the licensee under paragraph 2 must be in the form of a statistical record having such content and being presented in such a format and at such intervals of time as the Authority may from time to time direct.
9. Prior to issuing a direction under paragraph 3 the Authority must:
  - a) consult with the licensee and Citizens Advice and Consumer Scotland; and
  - b) consider any representations received as part of the consultation, including any about the materiality of costs that are likely to be incurred by the licensee in obtaining the information to be specified in the direction.
10. The obligations of this condition shall apply in respect of the obligation under paragraph 3 of Standard Special Condition B7 (Provision of meters), to the extent that this condition is in effect.

**PART C: SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (NTS):****CHAPTER 1: INTERPRETATION AND DEFINITIONS****Special Condition 1.1 Interpretation and definitions****Introduction**

- 1.1.1 The purpose of this condition is to provide for the special conditions of this licence:
- (a) some provisions of general interpretation; and
  - (b) the meaning of the defined terms, which are capitalised throughout the special conditions.

**Part A: Interpretation**

- 1.1.2 Wherever the subscript 't' is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.
- 1.1.3 A positive or negative numerical notation indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before.
- 1.1.4 In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are explained in those special conditions.
- 1.1.5 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee will be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid.
- 1.1.6 Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:
- (a) giving it to such extent, for such period of time, and subject to such conditions as the Authority thinks reasonable in all the circumstances of the case; and
  - (b) revoking or amending it after consulting with the licensee.
- 1.1.7 Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.
- 1.1.8 Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.

- 1.1.9 Any reference in these special conditions to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.
- 1.1.10 Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, as well as by action taken on or after, 1 April 2021.
- 1.1.11 Any monetary values in these special conditions are in sterling in a 2018/19 price base unless otherwise indicated.
- 1.1.12 The price base for each PCFM Variable Value is denoted in the GT2 Price Control Financial Model "Input" sheet. Where a PCFM Variable Value is listed as a "£m nominal" value, the GT2 Price Control Financial Model will convert these values in accordance with Part F of Special Condition 2.1 (Transportation owner revenue restriction), so that the component terms of Calculated Revenue and SO Calculated Revenue are in a 2018/19 price base.

**Part B: Definitions**

- 1.1.13 In these special conditions the following defined terms have the meanings given in the table below.
- 1.1.14 Where these special conditions state that the outputs, delivery dates and allowances for a Price Control Deliverable are located in another document, the following defined terms also have the meanings given in the table below in that document.
- 1.1.15 Where the table below states that a defined term has the meaning given to it by:
  - (a) another condition of this licence;
  - (b) the GT2 Price Control Financial Instruments;
  - (c) the RIGs;
  - (d) an Associated Document;
  - (e) the Uniform Network Code; or
  - (f) the Network Code

the defined term is to have the meaning given in that provision or document as amended from time to time.

the Act means the Gas Act 1986.

Actual NTS Throughput means the total offtake of gas from the NTS on each day (in mcm) including gas offtakes by DN Operators, Storage Facilities, interconnectors and Very Large Daily Metered

	Consumers connected to the NTS, plus the physical elements of NTS Shrinkage.
Adjustment Neutrality Amount	has the meaning given to that term in the Uniform Network Code.
Advice Notice Day	means 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.
Affiliate	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Aggregate Overrun	has the meaning given to that term in the Uniform Network Code.
Allocation	means any process by which Entry Capacity or Exit Capacity may be allotted by or on behalf of the licensee in accordance with the Network Code.
Allowed Revenue	is the amount the licensee should aim to recover through its NTS Transportation Owner Charges, derived in accordance with the formula in Part C of Special Condition 2.1 (Transportation owner revenue restriction).
Annual Environmental Report	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.1 (Annual Environmental Report).
Annual Iteration Process	means in relation to the GT2 Price Control Financial Model, the process set out in Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model), which is to be read and given effect subject to any further applicable explanation or elaboration within the GT2 Price Control Financial Handbook.
Annual Network Capability Assessment Report	means a report prepared by the licensee in accordance with Part B of Special Condition 9.10 (Long term network planning).
Appropriate Auditor	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).

Appropriately Qualified Independent Examiner	means a qualified tax accountant from a firm regulated by a relevant professional body, who may be an employee of the licensee's Appropriate Auditors.
Asset Data	means the data on the condition, location, operating environment, function, duty, and other relevant characteristics of NARM Assets, which is necessary for the calculation of Monetised Risk.
Asset Health Non-Lead Assets Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable) by its title and publication date.
Asset Health Non-Lead Assets PCD Tables	means the tables of that name in the document identified in Appendix 2 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable) by its title and publication date.
Asset Intervention	means a deliberate action, on the part of the licensee, that improves or maintains the Monetised Risk of an asset or group of assets.
Asset Management Systems	means the set of interrelated and interacting elements, including those IT systems used for the collecting, storing and interrogating of Asset Data, that the licensee has in place to establish its asset management policy and asset management objectives and the processes needed to achieve those objectives.
Asset Risk	means the estimated average expected impact of a Network Asset with given characteristics (such as those referred to in the definition of Asset Data) failing over a given time period, so that when scaled up to a sufficiently large population of identical Network Assets, the sum of the individual Asset Risks will equate to the total expected impact of asset failure for the population over the same time period.
Associated Document	means a document issued and amended by the Authority by direction in accordance with the special conditions of this licence and any reference to an Associated Document

	is to that document as amended from time to time unless otherwise specified.
the Authority	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Authority's Website	means <a href="http://www.ofgem.gov.uk">www.ofgem.gov.uk</a>
Bad Debt	means the expense incurred by the licensee when NTS Transportation Owner Charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded, and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.
Balancing Neutrality Charges	has the meaning given to that term in the Uniform Network Code.
Baseline Allowed NARM Expenditure	means the allowed expenditure associated with the Baseline Network Risk Outputs as set out in Appendix 1 to Special Condition 3.1 (Baseline Network Risk Output).
Baseline Network Risk Output	means the cumulative total of Network Risk Outputs for all items allocated to "NARM Funding Category A1" for a given Risk Sub-Category in the licensee's Network Asset Risk Workbook.
Basic Net Neutrality Amount	has the meaning given to that term in the Uniform Network Code.
Basic PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Between	in the context of something being done, or occurring, between two dates, means on or after the first date and on or before the second date.
Biodiversity Net Gain	means measurable net improvement to biodiversity for a defined area of land compared to the biodiversity before intervention by the licensee.
Bulk Price Differential	means the volume of LPG conveyed to consumers who are connected to each relevant Independent System in the relevant Regulatory Year, multiplied by the difference between:

- (a) the reasonable estimate (made by the licensee) of the actual delivered price of LPG supplied to consumers connected to the relevant Independent System; and
- (b) the average price of gas consisting principally of methane supplied to large industrial customers in Great Britain.

Business Plan	means a plan of the sort that the licensee was invited to submit by paragraph 2.25 of the document titled “RIIO-2 Sector Specific Methodology – Core document”, published by the Authority on 24 May 2019.
CAF Outcomes	means the outcomes set out under the cyber security and resilience principles set out in the document titled “CAF Guidance”, version 3.0, published by the National Cyber Security Centre on 30 September 2019 as amended from time to time.
Calculated Revenue	has the value given to $R_i$ in Part E of Special Condition 2.1 (Transportation owner revenue restriction).
CAM Activity	means an output, activity or deliverable that the licensee is applying to reallocate under Special Condition 3.8 (Coordinated adjustment mechanism Re-opener).
Capacity Auctions	means auctions operated by the licensee at which users can secure capacity to access the NTS.
Carry-over Network Innovation Allowance	means the allowance provided by Special Condition 5.3 (Carry-over Network Innovation Allowance) to extend the RIIO-1 Network Innovation Allowance for an additional Regulatory Year.
CDSP Costs	means costs incurred or expected to be incurred by the licensee for the purposes of meeting its obligations under Standard Special Condition A15 (Central Data Services Provider).
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 that part of that pipeline system.

Compressor Cab	means the enclosures, air circulation, exhaust and fire suppression systems necessary for the protection and safe functioning of the compressor fleet.
Constrained Storage Facilities	has the meaning given to that term in the Network Code.
Constraint Management	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Consumer Prices Index Including Owner Occupiers' Housing Costs	means the monthly values of the “CPIH All Items”, series ID “L522”, published by the Office for National Statistics (or any other public body acquiring its functions).
Consumer Outcome	<p>means:</p> <ul style="list-style-type: none"> <li>(a) the expected benefits to existing and future consumers in terms of maintenance of existing levels of, or improvements in the NTS's capability or resilience; or</li> <li>(b) the expected benefits to consumers in terms of service quality over what would have been the whole life of the output specified in the relevant special condition had it been delivered as specified. In the context of works delivered by the licensee, this means the benefits to customers or consumers in terms of maintenance of existing levels of, or improvements in the NTS's capability or resilience, or benefits to consumers in terms of service quality, that can be attributed to, and reasonably expected from the works delivered by the licensee over the whole life of the works delivered.</li> </ul>
Cost And Output Adjusting Event	<p>means:</p> <ul style="list-style-type: none"> <li>(a) an Extreme Weather Event;</li> <li>(b) the imposition of additional terms or conditions by any statutory consent, approval or permission (including but not limited to planning consent);</li> <li>(c) unforeseen ground or sea-bed conditions; and</li> <li>(d) for the purposes of a particular output, any event that the Authority directs is a Cost And Output Adjusting Event in the FIOC Project Direction issued under Part</li> </ul>

D of Special Condition 3.13 (Funded incremental obligated capacity Re-opener).

Cost-Benefit Analysis	means any analysis that considers, as appropriate, both the tangible costs (for example, the cost of replacement) and intangible costs (for example, costs associated with injury or loss of life) associated with, and benefits delivered by, an investment option or range of options.
COVID-19 Defaulting Gas Shipper	means a Gas Shipper who participated in the COVID-19 Scheme and whose insolvency has resulted in the licensee incurring Bad Debt or SO bad Debt. The timing and meaning of insolvency is as per the Insolvency Act 1986.
COVID-19 Scheme	means the COVID-19 Liquidity Relief Scheme for Shippers as established by the Uniform Network Code (UNC) modification 726: “COVID-19 Liquidity relief scheme for Shippers”.
COVID-19 System Operator Bad Debt	means SO Bad Debt owed to the licensee by one or more COVID-19 Defaulting Gas Shippers.
COVID-19 Transportation Owner Bad Debt	means Bad Debt owed to the licensee by one or more COVID-19 Defaulting Gas Shippers.
Critical National Infrastructure	means those critical elements of infrastructure (namely assets, facilities, systems, networks or processes and the essential workers that operate and facilitate them), the loss or compromise of which could result in: <ul style="list-style-type: none"> <li>(a) major detrimental impact on the availability, integrity or delivery of essential services – including those services whose integrity, if compromised, could result in significant loss of life or casualties – taking into account significant economic or social impacts; or</li> <li>(b) significant impact on national security, national defence, or the functioning of the state.</li> </ul>
Current Monetised Risk	means the Monetised Risk of an existing asset or group of assets, based on the most recently gathered or derived Asset Data.

Customer Impacting Work	means Maintenance Plan Days that would impact Maintenance Relevant Parties during the Regulatory Year, whether aligned to customers' maintenance plans or not.
CVS	is calorific value shrinkage and has the meaning given to that term in the Uniform Network Code.
CVS Statement	means a statement produced by the licensee under Part J of Special Condition 5.6 (System operator external incentives, revenues and costs).
Cyber Resilience IT Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable) by its title and publication date.
Cyber Resilience IT PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable) by its title and publication date.
Cyber Resilience IT Plan	means a plan of the sort that the licensee was invited to submit at bullet point 1 of paragraph 6.99 of the document titled “RIIO-2 Sector Specific Methodology – Core document”, published by the Authority on 24 May 2019.
Cyber Resilience OT Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.
Cyber Resilience OT PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.
Cyber Resilience OT Plan	means a plan of the sort that the licensee was invited to submit at bullet point 2 of paragraph 6.99 of the document titled “RIIO-2 Sector Specific Methodology – Core document”, published by the Authority on 24 May 2019.

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.
Data Best Practice Guidance	means the guidance document issued by the Authority in accordance with Part D of Special Condition 9.5 (Digitalisation).
Day	has the meaning given to that term in the Uniform Network Code.
Delayed	means where the licensee has not delivered the output set out in the relevant special condition in full by the relevant delivery date, but intends to deliver the output in full or in part at a later date.
De Minimis Business	has the meaning given to that term in Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing).
Decommission	means to Disconnect one or more assets or sites from all supplies of energy, removing all process fluids and depressurising. When a full site is in scope, all assets are removed from the site and the site is returned to its original or enhanced environmental state. For below ground assets on operational sites, decommission means to Disconnect assets from all supplies of energy and secure with a suitable fill material e.g. nitrogen.
Defaulting Gas Shippers	means a Gas Shipper, which has failed to make payments to the licensee in accordance with the Uniform Network Code.
Demand Side Response	means the provision of gas to the licensee by a contracting party in respect of a DMC Supply Point Component.
Demand Side Response Methodology	means a methodology maintained pursuant to and in accordance with the principles set out in part A of Special Condition 9.22 (Implementing and maintaining the Demand Side Response Methodology for use after a Gas Balancing Notification).

Demand Side Response Offer	means an offer to provide Demand Side Response.
Digitalisation	means using Energy System Data and digital technology to generate benefits for consumers and stakeholders.
Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of Special Condition 9.5 (Digitalisation).
Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.5 (Digitalisation).
Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property, generated through Eligible NIC Projects (whether undertaken by the licensee or any other Gas Transporter Licensees) that have not been otherwise funded through NTS Transportation Owner Charges or NTS System Operation Charges or as services under Special Condition 11C (Services treated as Excluded Services) of this licence as in force on 31 March 2021 or the NIC Funding Mechanism.
Directly Remunerated Services	has the meaning given to that term in Part A of Special Condition 9.7 (Directly Remunerated Services).
Disaggregated Network Risk Output	means a disaggregated component of the Baseline Network Risk Outputs or Outturn Network Risk Outputs into units appropriate for investment planning or delivery assessment purposes. Disaggregation may, for example, be at project, asset category, or intervention level, or combinations of these.
Disallowed Expenditure	means revenue received (whether by the licensee or any other Gas Transporter Licensee) under the NIC Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
Disapplication Date	means the date proposed by the licensee under a Disapplication Request on and after which the specified Relevant TO Special Conditions or Relevant SO Special

	Conditions (or any part or parts of them) would cease to have effect.
Disapplication Notice	means the notice under Special Condition 9.6 (Disapplication of Relevant Special Conditions) that terminates the application of the Relevant TO Special Conditions or Relevant SO Special Conditions (or any part or parts of them) specified in that request.
Disapplication Request	means a request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) to consent to the disapplication of the Relevant TO Special Conditions or Relevant SO Special Conditions (in whole or in part).
Disconnect	has the meaning given to that term in the Act.
Distribution Network	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
DMC Supply Point Component	has the meaning given to that term in the Uniform Network Code.
DN Operator	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Domestic Credit Meter Installation	means a Domestic Sized Meter and associated equipment and installations (excluding housing) within the definition of a Supply Meter Installation as Supply Meter Installation is defined by paragraph 1.2.2(a) of section M (Supply Point Metering) of the Network Code and is not a Prepayment Meter Installation.
Domestic Sized Meter	means designated for a maximum rate of gas flow which does not exceed 6m <sup>3</sup> /hr.
DSAP Guidance	means the guidance document issued by the Authority in accordance with Part C of Special Condition 9.5 (Digitalisation).
Efficiency	means expenditure decision making by the licensee that resulted in lower costs than could have been reasonably expected at the time of submitting the Business Plan. This does not include:

	<p>(a) where lower costs have been achieved by delivering a lower Consumer Outcome than would have been achieved if the licensee had delivered the output as specified in the relevant special condition; or</p> <p>(b) where expenditure decisions were the result of factors beyond the reasonable control of the licensee including, but not limited to, growth in demand for the licensee’s services or government policy</p>
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.
Eligible Balancing Action	has the meaning given to that term in the Uniform Network Code.
Eligible CNIA	means the amount of expenditure spent or accrued by the licensee in respect of Eligible CNIA Projects.
Eligible CNIA Internal Expenditure	means the amount of Eligible CNIA spent or accrued on the internal resources of the licensee.
Eligible CNIA Projects	means RIIO-1 Network Innovation Allowance projects on which work commenced prior to 31 March 2021, pursuant to the requirements of the RIIO-1 NIA Governance Document.
Eligible NIC Project	means a project undertaken by the licensee or any other Gas Transporter Licensee that appears to the Authority to satisfy such requirements of the NIC Governance Document as are necessary to enable the project to be funded under the NIC Funding Mechanism.
Energy System Data	means facts and statistics collected together that describe the energy system (current, historic and forecast), including: the presence and state of infrastructure, its operation, associated market agreements and their operations, policy and regulation.
Entry and Exit Zones	means such zones as are specified in the licensee's Business Plan (subject to any revisions proposed by the licensee and approved by the Authority in writing).

Entry Capacity	means capacity in the NTS which a Relevant Shipper is treated as utilising in delivering gas to the NTS (and the total system) at an NTS Entry Point.
Entry Capacity Constraint Management	means Constraint Management undertaken by the licensee in respect of Entry Capacity in the NTS.
Entry Capacity Substitution	is the process by which unsold Non-Incremental Obligated Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Incremental Obligated Entry Capacity at another NTS Entry Point in accordance with the obligations set out in Special Condition 9.17 (Entry and Exit Capacity obligations and methodology statements).
Entry Capacity Trade	means the process by which sold Firm Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Firm Entry Capacity at another NTS Entry Point, in accordance with the obligations set out in Special Condition 9.17 (Entry and Exit Capacity obligations and methodology statements).
Entry Capacity Transfer	means the process by which unsold Obligated Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Firm Entry Capacity at another NTS Entry Point where all Obligated Entry Capacity has been sold, in accordance with the obligations set out in Special Condition 9.17 (Entry and Exit Capacity obligations and methodology statements).
Entry Close-out Date	has the meaning given to that term in the Uniform Network Code.
Environmental Action Plan	means the document of that name that the licensee submitted as part of its Business Plan.
Environmental Action Plan Commitments	means the actions and initiatives that the licensee proposed in their Environmental Action Plan to undertake over the course of the Price Control Period.
Environmental Net Gain	means achieving Biodiversity Net Gain first and going further to achieve net increases in the capacity of affected natural capital to deliver ecosystem services.

Environmental Reporting Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.1 (Annual Environmental Report).
Environmental Value	means a measure of the level of biodiversity and the value of the ecosystem services from the natural capital assets associated with a particular land area.
Equally Challenging	means presenting equal or higher challenge to the licensee compared to the Baseline Network Risk Outputs, where challenge relates to the scope for a licensee to over-deliver by carrying out the same volume of interventions but selecting different assets for intervention from those assumed in the setting of the Baseline Network Risk Outputs and the proportionate levels of over-delivery and under-delivery of Baseline Network Risk Outputs resulting from higher or lower level of intervention volumes.
Evaluative PCD	means a Price Control Deliverable where the relevant licence condition states that the Authority will consider making an adjustment to allowances where an output has not been Fully Delivered.
Ex-Ante Base Revenue	has the value of £729m for each Regulatory Year.
Exit Capacity	means capacity in the NTS which a Relevant Shipper or DN Operator is treated as utilising in off-taking gas from the NTS at an NTS Exit Point.
Exit Capacity Constraint Management	means Constraint Management undertaken by the licensee in respect of Exit Capacity in the NTS.
Exit Capacity Revision	means the process by which the level of Licence Baseline Exit Capacity is modified in accordance with the obligations set out in Special Condition 9.17 (Entry and Exit Capacity obligations and methodology statements), which takes place as a result of the release of Funded Incremental Obligated Entry Capacity.
Exit Capacity Substitution	means the process by which unsold Non-Incremental Obligated Exit Capacity is moved from one or more NTS Exit Points to meet the demand for Incremental Obligated Exit Capacity at another NTS Exit Point in accordance

	with the obligations set out in Special Condition 9.17 (Entry and Exit Capacity obligations and methodology statements).
Extreme Weather Event	means a weather event with worse than one in ten years probability.
Failure To Interrupt	has the meaning given to that term in the Network Code.
Final Option Selection Report	means a report for a specific site produced by the licensee setting out the options selection process and proposed Final Preferred Option signed off as meeting the requirements of gas network development process stage 4.2 as set out further in the Re-opener Guidance and Application Requirements Document Associated Documents.
Final Preferred Option	means the option selected by the licensee for a specific site following updated flow forecast and cost benefit analysis, agreed upon by both the licensee and the Authority.
FIOC Guidance and Submissions Requirements Document	means the document of that name issued by the Authority in accordance with Part G of Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable).
FIOC Project Direction	means a direction by the Authority, following a submission from the licensee in accordance with Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable) justifying its costs for releasing Funded Incremental Obligated Entry Capacity or Funded Incremental Obligated Exit Capacity, and specifying an output, delivery date and allowance.
Firm Entry Capacity	has the meaning given to that term in the Uniform Network Code.
Firm Exit Capacity	has the meaning given to that term in the Uniform Network Code.
Forecast Monetised Risk	means the Monetised Risk of an asset or group of assets expected to be in operation on a network in a given future

	scenario, based on the forecast view of Asset Data for the given scenario.
Forecast Total System Demand	has the meaning given to that term in the Uniform Network Code.
Front End Engineering Design	means a fully detailed engineering design for the site in question, including the layout and installation plan and a tendered quote, which meets the requirements to pass gas network development process stage 4.3 sign-off as set out further in the Re-opener Guidance and Application Requirements Document.
Full PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Fully Delivered	means where the output specified in the relevant licence condition has been delivered in full on or before the delivery date specified in that licence condition.
Fully Delivered With An Alternative Specification	means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving a Consumer Outcome that is materially equivalent or better than what would have been achieved if the licensee had delivered the output as set out in the relevant special condition
Funded Incremental Obligated Entry Capacity	is Incremental Obligated Entry Capacity, the release of which has been funded under Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable).
Funded Incremental Obligated Exit Capacity	is Incremental Obligated Exit Capacity, the release of which has been funded under Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable).
Funding Return	is the total amount, in respect of the licensee, of any amounts arising under the Funding Return Mechanism.
Funding Return Mechanism	means the mechanism that provides for the recovery from the licensee and from other Gas Transporter Licensees, in each case to such extent (if any) as may be relevant, of: (a) Halted Project Revenues;

- (b) Disallowed Expenditure;
- (c) Returned Royalty Income; and
- (d) Returned Project Revenues.

Gas Balancing Notification	has the meaning given to that term in the Uniform Network Code.
Gas Deficit Emergency	has the meaning given to that term in the Uniform Network Code.
Gas Shipper	has the meaning given to that term in section 7A(11) of the Act.
Gas Transporter Licensee	means the holder of a licence granted under section 7 of the Act.
Gas Volumes Methodology	means a methodology provided under part K of Special Condition 5.6 (System operator external incentives, revenues and costs).
GHG Independent Examiner	means a person nominated by and independent of the licensee with the skills and knowledge of accepted greenhouse gas accounting and audit principles so as to be qualified to undertake an examination of the Greenhouse Gas Emissions Calculation Methodology for calculating the mass of Natural Gas Vented and verification of the application of this methodology.
Great Britain	means the landmass of England, Wales and Scotland, including internal waters.
Greenhouse Gas Emissions Calculation Methodology	is the methodology required under part E of Special Condition 5.6 (System operator external incentives, revenues and costs).
GT Asset Health Plan	means the document of that name prepared by the licensee and submitted to the Authority in December 2019.
GT1 Price Control Financial Model	has the meaning given to that term in Special Condition 1A (Definitions and Interpretation) of this licence as in force on 31 March 2021.
GT2 Price Control Financial Handbook	means the document of that name that was first published by the Authority to come into effect on 1 April 2021 and

includes specific information and advice about the operation of the Annual Iteration Process and the GT2 Price Control Financial Model, as modified from time to time in accordance with the provisions of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments).

**GT2 Price Control Financial Instruments** means the GT2 Price Control Financial Handbook and the GT2 Price Control Financial Model.

**GT2 Price Control Financial Model** means the model of that name (with a suffix referring to the month of November in Regulatory Year t-1) that was first published by the Authority to come into effect on 1 April 2021:

(a) that is represented by a workbook in Microsoft Excel® format maintained under that name (with a Regulatory Year suffix) on the Authority's Website; and

(a) that the Authority will use to determine the value of the term  $AR_t$  through the application of the Annual Iteration Process in accordance with the provisions of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) and as modified from time to time in accordance with the provisions of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments).

**GT2 Price Control Financial Model Working Group** means the working group identified in and whose terms of reference are set out in Chapter 2 of the GT2 Price Control Financial Handbook.

**Halted Project Revenues** means revenues received (whether by the licensee or any other Gas Transporter Licensee) under the NIC Funding Mechanism in respect of an Eligible NIC Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.

ILI Report	is a report undertaken by the licensee detailing the length of time taken by the licensee to complete both Short ILIs and Long ILIs and comparing this against previous annual reporting figures and any other relevant benchmarks.
Improvement Plan	means a plan of the sort that the licensee was invited to submit at bullet point 2 on page 7 of the document titled “Ofgem Competent Authority Guidance for Downstream Gas and Electricity in Great Britain”, published by the Authority on 30 November 2018.
In Line Inspection	means the internal inspection of pipelines through the use of pipeline inspection gauges.
Incremental Entry Capacity	means Firm Entry Capacity other than Non-Incremental Obligated Entry Capacity.
Incremental Entry Capacity Services	means the undertaking of engagements relating to the provision of Entry Capacity other than Non-Incremental Obligated Entry Capacity.
Incremental Exit Capacity	means Firm Exit Capacity other than Non-Incremental Obligated Exit Capacity.
Incremental Exit Capacity Services	means the undertaking of engagements relating to the provision of Exit Capacity other than Non-Incremental Obligated Exit Capacity.
Incremental Obligated Entry Capacity	means the volume of Firm Entry Capacity which the licensee is required to offer for sale at an NTS Entry Point that is above the level of Non-Incremental Obligated Entry Capacity, and is derived in accordance with the methodology statements which the licensee must have in place under Special Condition 9.18 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes).
Incremental Obligated Exit Capacity	means the volume of Firm Exit Capacity which the licensee is required to offer for sale at an NTS Exit Point that is above the level of Non-Incremental Obligated Exit Capacity, and is derived in accordance with the methodology statements which the licensee must have in place under Special Condition 9.18 (Methodology to

	determine the release of Entry Capacity and Exit Capacity volumes).
Independent Examiner	means a person nominated by and independent of the licensee with the skills and knowledge to undertake an examination.
Independent System	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation), except that for the purposes of Special Condition 6.2 (Gas conveyed to Independent Systems) only, it means independent systems (as defined in Standard Special Condition A3) through which the gas conveyed to consumers consists wholly or mainly of LNG or LPG.
Innovation	means: <ul style="list-style-type: none"> <li>(a) solutions that have been trialled by any Network Licensee as part of a RIIO-1 Network Innovation Allowance project pursuant to the requirements of the RIIO-1 NIA Governance Document or a RIIO-2 NIA Project; or</li> <li>(b) involves the application of technology, systems or processes that were not proven as at the time of submission of the Business Plan</li> </ul>
“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 IP completion 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 IP completion day, as read with the Environmental Permitting (England and Wales) Regulations 2016/1154 and Pollution Prevention Control (Scotland) Regulations 2012;

Interruptible Entry Capacity	means Entry Capacity that may be subject to curtailment by the licensee under the provisions relating to interruption in the Uniform Network Code.
IP Completion Day	has the meaning given to that term in Standard Condition 1 (Definitions and Interpretation).
IT	means a licensee's information technology for business systems that relate to the use of computers, software, hardware and other systems and devices to perform business operations.
LDZ	has the meaning given to that term in the Network Code.
Licence Baseline Entry Capacity	means the volume of Entry Capacity as set out in Appendix 1 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) and any Funded Incremental Obligated Entry Capacity from five years after the contractual delivery date of that capacity.
Licence Baseline Exit Capacity	means the volume of Exit Capacity as set out in Appendix 2 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) and any Funded Incremental Obligated Exit Capacity from five years after the contractual delivery date of that capacity.
Licensed Activity	has the meaning given to the term "Transportation Business" in Standard Special Condition A3 (Definitions and Interpretation).
Licensee's Offices	means the licensee's offices located in Derby, Eakring, London, Solihull, Warrington, Warwick and Wokingham. Where the sites are shared with multiple parties, the metrics achieved at the overall site will be attributed in proportion with the capex allocation (as notified by the licensee to the Authority) for each entity residing at the site
LNG	means liquefied natural gas.
Local Area Energy Plan	means a plan that is the product of a process: (a) through which a range of stakeholders including Network Licensees and local authorities agree on the optimal long-term energy solutions for an area; and

(b) that has been conducted in the context of enabling energy systems with net zero carbon emissions.

**Locational Action** means any action taken by the licensee where the action was taken in respect of a specific location and would therefore be coded with a locational reason code on the On-the-day Commodity Market, and where locational buys will be treated as a cost to the licensee and locational sells will be treated as a revenue.

**Locational Sell Actions** means a Locational Action treated as a revenue for the licensee.

**Long ILI** is work necessary to undertake an In Line Inspection of a section of the pipeline system to which this licence relates where the length of pipeline concerned is more than 10km and requiring one or more Maintenance Plan Days.

**Long Term Development Statement** means a statement prepared by the licensee in accordance with Part A of Special Condition 9.10 (Long term network planning).

**Long-term Monetised Risk** means the Monetised Risk measured over a defined period of time greater than one year from a given start date and equal to the cumulative Single-year Monetised Risk values over the defined period.

**LPG** means a mix of hydrocarbon gases including propane and butane in accordance with the engineering standard titled “British Standard European Norm 589:2018 Automotive Fuels. LPG. Requirements and test methods”.

**Maintenance** includes:

- (a) maintenance, inspection, repair, replacement, reinstatement and recommissioning of the pipeline system to which this licence relates or any part or parts of it;
- (b) works for the expansion, reinforcement or extension of the pipeline system to which this licence relates , including works in relation to existing parts of that pipeline system (including any part of the system which is out of service, whether on a temporary or

permanent basis) to enable such works to be carried out; and

- (c) any inspection, testing and commissioning of works within paragraphs (a) and (b), and works preparatory thereto, and any works required for bringing any new or existing part of the pipeline system to which this licence relates into, or back into, service.

#### Maintenance Change Day

means any Maintenance Plan Day, where the licensee has initiated a change compared to the Maintenance Plan, unless:

- i. the licensee has requested the change to facilitate the requirements of another Maintenance Relevant Party;
- 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
- 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.

Changes for the purposes of this definition are changes that result in:

- (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
- (b) a cancellation of a Maintenance Plan Day.

#### Maintenance Day

has the meaning given to that term in the Uniform Network Code.

Maintenance Plan	means 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 Regulatory Year in respect of the Maintenance Plan Days.
Maintenance Plan Day	<p>means 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 Regulatory 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 be construed as a single Maintenance Plan Day; and (b) this includes Advice Notice Days):</p> <ul style="list-style-type: none"> <li>(a) routine maintenance (e.g. routine Valve Operations);</li> <li>(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</li> <li>(c) in-line inspections, where these activities affect one or more Maintenance Relevant Parties and where this party is an 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 Regulatory 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.</li> </ul>
Maintenance Relevant Party	has the meaning given to that term in the Uniform Network Code.
Maintenance Workload	is the sum in Days of the licensee's overall Maintenance work and is equal to the number of Maintenance Plan Days in Regulatory Year t.

Market Offer Price	has the meaning given to that term in Uniform Network Code.
Materiality Threshold	has the value £10.7m.
Measurement Equipment	has the meaning given to that term in the Uniform Network Code.
Minor Works Agreement	means the services offered by the licensee which enable Maintenance Relevant Parties to pay the incremental costs of the licensee working flexibly outside normal working practices where possible in respect of Maintenance.
Monetised Risk	means an estimation of Asset Risk as derived in accordance with the NARM Methodology as well as the similarly derived estimated risks associated with aggregated asset groupings, and disaggregated sub-components, as relevant.
Monetised Risk Benefit	<p>means the risk benefit delivered or expected to be delivered by an asset intervention, which:</p> <ul style="list-style-type: none"> <li>(a) is the difference between without intervention and with intervention Monetised Risk;</li> <li>(b) can be measured over one year or over a longer period of time; and</li> <li>(c) includes both direct (i.e. on the asset itself) and indirect (i.e. on adjacent assets or on the wider system) risk benefits.</li> </ul>
NARM Asset	means an asset specified within the NARM Methodology where its associated Monetised Risk can be estimated by applying the NARM Methodology.
NARM Asset Category	means a group of assets with similar functions and design as specified in the NARM Methodology.
NARM Handbook	<p>means the document of that name issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that:</p> <ul style="list-style-type: none"> <li>(a) sets out the methodology for calculating relevant funding adjustments and penalties as a result of</li> </ul>

	<p>Outturn Network Risk Outputs being different to Baseline Network Risk Outputs; and</p> <p>(b) provides guidance to the licensee on providing justification for over-delivery and under-delivery; the treatment of Non-Intervention Risk Changes and the meaning and treatment of ‘clearly identifiable over-delivery’ and ‘clearly identifiable under-delivery’</p>
NARM Methodology	means the methodology established pursuant to Special Condition 9.2 (Network Asset Risk Metric methodology).
NARM Objectives	means the objectives set out in Part B of Special Condition 9.2 (Network Asset Risk Metric methodology).
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.
Natural Gas Vented	<p>means the release of natural gas from a Compressor as a result of:</p> <p>(a) starting a Compressor;</p> <p>(b) purging a Compressor;</p> <p>(c) depressurising a Compressor; or</p> <p>(d) the leakage of gas through a seal around the shaft of a Compressor.</p>
Net Margins WACOG	has the meaning given to that term in the Uniform Network Code.
Net Zero Advisory Group	means a group set up by the Authority with the objective to strengthen strategic coordination among key government departments and public sector organisations involved in the energy system transition, including around the heat, power, and transport sectors.
Net Zero And Re-opener Development Fund	means a use-it-or-lose-it allowance provided by Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance).

<p>Net Zero and Re-opener Development Fund Governance Document</p>	<p>means the document of that name issued by the Authority in accordance with Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance).</p>
<p>Net Zero Carbon Targets</p>	<p>means the targets set out in:</p> <ul style="list-style-type: none"> <li>(a) section 1 of the Climate Change Act 2008;</li> <li>(b) section A1 of the Climate Change (Scotland) Act 2009; and</li> <li>(c) section 29 of the Environment (Wales) Act 2016.</li> </ul>
<p>Net Zero Development</p>	<p>means a change in circumstances related to the achievement of the Net Zero Carbon Targets that is:</p> <ul style="list-style-type: none"> <li>(a) a change in national government policy (including policies of the devolved national parliaments);</li> <li>(b) a change in local government policy;</li> <li>(c) the successful trial of new technologies or other technological advances;</li> <li>(d) a change in the pace or nature of the uptake of low carbon technologies; or</li> <li>(e) a new obligation arising from the agreement of a Local Area Energy Plan or an equivalent arrangement.</li> </ul>
<p>Net Zero Innovation Board</p>	<p>means the board established by the government to ensure a co-ordinated approach to innovation funding across public sector bodies in the United Kingdom.</p>
<p>Net Zero Pre-construction Work</p>	<p>means:</p> <ul style="list-style-type: none"> <li>(a) surveys, assessments and studies;</li> <li>(b) project design;</li> <li>(c) engineering development;</li> <li>(d) stakeholder engagement and consultation;</li> <li>(e) tasks associated with wayleaves;</li> <li>(f) planning applications; and</li> <li>(g) any other relevant necessary activities to progress to final investment decision.</li> </ul>

Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document	means the document issued by the Authority in accordance with Part B of Special Condition 3.9 (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener).
Network Asset	means the assets that collectively form the pipeline system to which this licence relates, and includes the principal components of those assets.
Network Asset Risk Metric	means the Monetised Risk associated with a NARM Asset or the Monetised Risk Benefit associated with a NARM Asset Intervention.
Network Asset Risk Workbook	means the workbook of that name in Microsoft Excel® format issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that contains the following data: <ul style="list-style-type: none"> <li>(a) Baseline Network Risk Outputs;</li> <li>(b) Disaggregated Network Risk Outputs;</li> <li>(c) the baseline funding associated with the Disaggregated Network Risk Outputs;</li> <li>(d) Asset Intervention underlying the Disaggregated Network Risk Outputs; and</li> <li>(e) records of results from Rebasing exercise.</li> </ul>
Network Code	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Network Licensee	means the holder of a licence granted under section 7 of the Act or section 6(1)(b) or (c) of the Electricity Act 1989.
Network Model	means a computer simulation used to predict the behaviour of the NTS under different supply and demand scenarios.
Network Risk Output	means the risk benefit delivered or expected to be delivered by an Asset Intervention and is calculated as the difference between Monetised Risk values associated with the "without intervention scenario" and the "with intervention scenario", measured over a period equal to the assumed intervention lifetime from the end of the Price Control Period, which can vary for asset category or specific assets and intervention types.

NIA	means the network innovation allowance provided by Special Condition 5.2 (RIIO-2 network innovation allowance).
NIC	means the arrangements known as the network innovation competition established by Special Condition 2F (The Network Innovation Competition) of this licence as in force on 31 March 2021.
NIC Funding	means the total amount of funding authorised by the Authority for the Licensee and other Gas Transporter Licensees, in accordance with the provisions of the NIC Governance Document, for the purpose of funding Eligible NIC Projects.
NIC Funding Mechanism	means the mechanism by which the licensee recovers the amount of authorised NIC Funding and apportions that amount between the licensee and other Gas Transporter Licensees as appropriate in accordance with the NIC Governance Document.
NIC Governance Document	means the document of that name maintained by the Authority in accordance with Special Condition 7.7 (RIIO-GT1 network innovation competition).
NOMs Incentive Methodology	means the document entitled "Network Output Measures (NOMs) Incentive Methodology" published by the Authority on 6 December 2018.
NOMs Methodology	means the methodology approved under Special Condition 7D (Methodology for Network Output Measures) of this licence as in force on 31 March 2021.
Non-Incremental Obligated Entry Capacity	is the Licence Baseline Entry Capacity adjusted for Entry Capacity Substitution.
Non-Incremental Obligated Exit Capacity	is the Licence Baseline Exit Capacity adjusted for Exit Capacity Substitution.
Non-intervention Risk Changes	means the factors set out in the NARM Handbook that are unrelated to the licensee's Asset Interventions and impact the licensee's Outturn Network Risk Outputs.

Non-Obligated Entry Capacity	means Firm Entry Capacity other than Obligated Entry Capacity.
Non-Obligated Exit Capacity	means Firm Exit Capacity other than Obligated Exit Capacity.
Non-operational IT Capex	has the meaning given to that term in the RIGs.
Not Delivered	means where the licensee has not delivered the output specified in the relevant special condition in full or in part by the relevant delivery date and does not intend to deliver the output in full or in part at a later date.
NTS	has the meaning given to that term in the Network Code.
NTS Connected System Exit Point	has the meaning given to that term in the Uniform Network Code.
NTS Entry Point	has the meaning given to that term in the Uniform Network Code.
NTS Exit Point	has the meaning given to that term in the Uniform Network Code.
NTS Linepack	has the meaning given to that term in the Uniform Network Code.
NTS Shrinkage	has the meaning given to that term in the Uniform Network Code.
NTS Supply Point	has the meaning given to that term in the Uniform Network Code.
NTS System Entry Point	has the meaning given to that term in the Uniform Network Code.
NTS System Operation Activity	means engagements undertaken by the licensee pursuant to the operation of the NTS, being the procuring and using of balancing services for the purpose of balancing the NTS and the arranging with the NTS Transportation Owner Activity for the delivery of Incremental Entry Capacity and Incremental Exit Capacity, including: <ul style="list-style-type: none"> <li>(a) Incremental Entry Capacity Services;</li> <li>(b) Incremental Exit Capacity Services;</li> <li>(c) residual gas balancing services;</li> <li>(d) balancing management;</li> </ul>

	(e) Constraint Management services; and
	(f) the provision of services in relation to gas quality.
NTS System Operation Charges	means charges made or levied, or to be made or levied, by the licensee for the provision of services as part of its NTS System Operation Activity, to any person for the purpose of recovering its SO Allowed Revenue.
NTS System Operator	means the licensee when carrying out an NTS System Operation Activity.
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.
NTS Transportation Owner Activity	means the activities of the licensee connected with the development, administration and maintenance of the NTS and with the Supply Of NTS Services.
NTS Transportation Owner Charges	means charges made or levied, or to be made or levied, by the licensee for the provision of services as part of its NTS Transportation Owner Activity, to any person, for the purpose of recovering its Allowed Revenue.
Obligated Entry Capacity	is the sum of Non-Incremental Obligated Entry Capacity and Funded Incremental Obligated Entry Capacity (which will become Non-Incremental Obligated Entry Capacity five years after the contractual delivery date of that capacity).
Obligated Exit Capacity	is the sum of Non-Incremental Obligated Exit Capacity and Funded Incremental Obligated Exit Capacity (which will become Non-Incremental Obligated Exit Capacity five years after the contractual delivery date of that capacity).
Off-Peak Exit Capacity	has the meaning given to the term “off-peak daily NTS exit (flat) capacity” in the Uniform Network Code, unless at an NTS Exit Point described in Appendix 2 to Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) as an interconnector, where it shall have the meaning given to the term “interruptible NTS interconnection point capacity” in the Uniform Network Code.

OM Interested Party	means any party which may be affected by the procurement of Operating Margins by the licensee, including those parties which may be able to provide Operating Margins to the licensee.
On-the-day Commodity Market	means the on-the-day commodity market in which Relevant Shippers and the licensee can buy and sell gas.
Operating Margins	has the meaning given to that term in the Uniform Network Code.
Operating Margins Report	means a report produced and published by the licensee under part H of Special Condition 5.6 (System operator external incentives, revenues and costs).
Operating Margins Requirements	has the meaning given to that term in the Uniform Network Code.
Operating Margins WACOG	has the meaning given to that term in the Uniform Network Code.
Operational Data	includes, unless otherwise directed by the Authority: (a) the National Forecast Flow Data Item or Report; (b) the National Physical Flow Data Item or Report; (c) the NTS Throughput Data Item or Report; and (d) the Predicted Closing Linepack Data Item or Report.
Operational Performance	is a measure of returns which includes totex and output delivery incentive performance but excludes performance on debt, tax, and the business plan incentive. It also excludes the baseline allowed return on equity
OT	means a licensee's operational technology and information systems that monitor and control physical devices and processes of operations which relate to gas.
Outturn Network Risk Output	means the Monetised Risk Benefit delivered during the Price Control Period through the licensee's Asset Interventions and derived so as to give a fair and accurate reflection of the licensee's delivery when compared against Baseline Network Risk Outputs as part of the

Authority’s assessment of the licensee’s overall delivery of its Baseline Network Risk Outputs.

PARCA

means any:

- i. “PARCA” as that expression is defined in the Uniform Network Code; and
- ii. agreement between the licensee and a PARCA Applicant relating to the reservation and allocation of Entry Capacity or Exit Capacity under “European Interconnection Document, Section E” of the Uniform Network Code.

PARCA Applicant

means any:

- i. “PARCA Applicant” as that expression is defined in the Uniform Network Code; and
- ii. person applying to reserve and then be allocated Entry Capacity or Exit Capacity under “European Interconnection Document, Section E” of the Uniform Network Code.

PARCA Termination Amount

means the amount of money the licensee is entitled to recover from a PARCA Applicant under the PARCA in the event a PARCA is terminated.

PARCA Termination Costs

means the costs incurred by the licensee in respect of a PARCA that is terminated prior to the allocation of Funded Incremental Obligated Entry Capacity or Funded Incremental Obligated Exit Capacity.

PARCA Termination Value

means an amount equal to the PARCA Termination Costs incurred less PARCA Termination Amounts received from PARCA Applicants.

Partially Delivered

means where the licensee has delivered some, but not all of the output specified in the relevant special condition

Partially Delivered With Alternative Specification

means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving only part of the Consumer Outcome that would have been achieved if the licensee had delivered the output as set out in the relevant special condition.

Partner Licensee	means a Network Licensee that has agreed to accept or transfer responsibility for a CAM Activity.
PCD Reporting Requirements and Methodology Document	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.3 (Price Control Deliverable Reporting Requirements and Methodology Document).
PCFM Guidance	means the guidance document issued by the Authority in accordance with Part E of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model).
PCFM Variable Values	means the values in the table of that name in the GT2 Price Control Financial Handbook.
Pension Scheme Established Deficit	means the difference between assets and liabilities, determined at any point in time, attributable to pensionable service up to the end of the 31 March 2012 and relating to the Transportation Business under the Authority's Price Control Pension Principles. The term applies equally if there is a subsequent surplus.
Permitted Administration Fee	means the amount the licensee is permitted to raise and retain for administering the mechanism contained in Special Condition 9.15 (NTS shortfall contribution obligations).
Phase 1 PARCA Works Reports	has the meaning given to that term in the Network Code.
Physical Renomination Incentive Charges	has the meaning given to that term in the Uniform Network Code.
Physical Security Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable) by its title and publication date.
Physical Security PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable) by its title and publication date.
Physical Security Upgrade Programme	means physical security investment at Critical National Infrastructure sites as mandated by government.

Pipeline Diversion Costs	<p>means costs incurred, or expected to be incurred, by the licensee in relation to extant liabilities or other obligations to divert existing pipelines which:</p> <p>(a) arise as a result of existing obligations or liabilities taken on by the Gas Council or British Gas plc. for which the licensee is now responsible; and</p> <p>(b) the licensee can demonstrate it has done everything in its powers to recover from the relevant party requesting the pipeline diversion.</p>
Pipethrough	<p>means the process of the removal of mainline valve and any bypass arrangement and associated assets replacing with a section of line pipe.</p>
Plant And Equipment	<p>means the pipework at compressor stations and above ground installations, coated as a means of primary protection and protected by cathodic protection as a secondary means where it is below ground as well as the equipment associated with maintaining gas quality and pressure.</p>
Policing Costs	<p>means the costs of complying with any requirement arising under sections 85 to 90 of the Counter-Terrorism Act 2008 in respect of the provision of policing services in or around a gas facility.</p>
Predicted Closing Linepack Data Item or Report	<p>means a 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.</p>
Prepayment Meter Installation	<p>means a Domestic Sized Meter and associated equipment and installations (excluding housing) comprised in a Supply Meter Installation as Supply Meter Installation is defined by 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.</p>
Prescribed Rates	<p>means:</p> <p>(a) business rates in England and Wales; and</p> <p>(b) non-domestic rates in Scotland</p>

	or any equivalent tax or duty replacing those rates that is levied on the licensee in respect of its Licensed Activity.
Price Control Deliverable	means the outputs, delivery dates and associated allowances in Special Conditions 3.2 to 3.4, 3.6, 3.7, 3.10 to 3.13, 3.15 and 3.16.
Price Control Pension Principles	means the principles set out in the Authority’s guidance note on price control pension principles issued as Appendix 3 to the decision letter, “Decision on the Authority’s policy for funding Pension Scheme Established Deficits” dated 7 April 2017.
Price Control Period	means the period of five Regulatory Years commencing on 1 April 2021.
Procurement Guidelines Document	means a statement of that name maintained and revised in accordance with Part B of Special Condition 9.19 (System Management Services).
Project Direction	means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.
PSUP Solution	means the site physical security upgrade specified by the government.
Qualifying Project	means a network development project that affects the local environment that has either: <ul style="list-style-type: none"> <li>(a) passed through and been granted external planning approval; or</li> <li>(b) passed through the licensee’s internal decision making stage “network development process gate 4”.</li> </ul>
Quarry and Loss Development Claim Costs	means the costs reasonably incurred, or expected to be incurred, by the licensee in relation to settling any claims from landowners whose land contains network assets, which relate to: <ul style="list-style-type: none"> <li>(a) loss of land development;</li> <li>(b) sterilised minerals;</li> </ul>

- (c) landfill and tipping;
- (d) power generation;
- (e) drainage; or
- (f) loss of crop

where the licensee can demonstrate that it has used reasonable endeavours to challenge both the basis of the claim and the quantum of the compensation sought.

RAV

means regulatory asset value.

Rebased Baseline Network Risk Output

means a Baseline Network Risk Output that has been revised to give effect to a modified NARM Methodology as approved under paragraph 9.2.9 of Special Condition 9.2 (Network Asset Risk Metric methodology) pending the Authority's approval. If approved by the Authority, the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Output for the purposes of Special Condition 3.1 (Baseline Network Risk Output).

Rebasing

means the process of modifying the Baseline Network Risk Output as set out in Part C of Special Condition 3.1 (Baseline Network Risk Outputs).

Redundant Assets

means equipment or assets which are no longer utilised (either now or in the foreseeable future) by the licensee for the Transportation Business.

Redundant Assets PCD Tables

means the tables of that name in the document identified in Appendix 1 to Special Condition 3.16 (Redundant Assets Price Control Deliverable) by its title and publication date.

Regulatory Year

means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00.

Related Undertaking

has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).

Relevant Gas Transporter

has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).

Relevant Network Model Data	means all the data necessary for the Network Model to satisfy the first two requirements in Part B of Special Condition 9.12 (Licensee's Network Model).
Relevant Point	means a point of the licensee's pipeline system on which the licensee will make information on technical, contracted and available capacities on a numerical basis public, on a regular and rolling basis in a user-friendly and standardised manner, as required by Article 18.3, EC Regulation 715/2009, as it has effect immediately before IP Completion Day as read with any modifications set out in the Act.
Relevant Quarter Year	means a quarter in a Regulatory Year, 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 Shipper	has the meaning given to the term in Standard Special Condition A3, except that, for the purposes of Special Condition 6.2 (Gas conveyed to Independent Systems) only, means a Gas Shipper that has made arrangements with the DN Operator that operates the LDZ in which that Independent System is situated under which LNG or LPG is to be transported to consumers at the premises.
Relevant SO Special Conditions	means Special Condition 2.3 (System operator revenue restriction), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 2.3 to which a Disapplication Request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) relates.
Relevant Supplier	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Relevant System Management Services	means System Management Services other than:

- (a) those that the licensee has acquired through an Eligible Balancing Action (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.

Relevant TO Special Conditions means Special Condition 2.1 (Transportation owner revenue restriction), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 2.1 to which a Disapplication Request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) relates.

Relevant Valuation Agency means:

- (a) the Valuation Office Agency in England and Wales; and
- (b) the Scottish Assessors Association in Scotland.

Re-opener means the mechanisms created by:

- (a) Special Conditions 3.5, 3.8 3.9, 3.14 and 3.17; and
  - (a) Parts C and D of Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment), Parts C and D of Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable), Parts C and D of Special Condition 3.4 (Physical Security Re-opener and Price Control Deliverable), Part C of Special Condition 3.6 (Net zero Re-opener and Price Control Deliverable), Part C of Special Condition 3.7 (Non-operational IT Capex Re-opener and Price Control Deliverable), Part D of Special Condition 3.10 (Bacton terminal site redevelopment Re-opener and Price Control Deliverable), Part D of Special Condition 3.11 (Compressor emissions Re-opener and Price Control Deliverable), Part C of Special Condition 3.12

(King's Lynn subsidence Re-opener and Price Control Deliverable) and Part C of Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable).

Re-opener Guidance and Application Requirements Document

means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.4 (Re-opener Guidance and Application Requirements Document).

Retail Prices Index

means the monthly values of the "RPI All Items Index", series ID "CHAW", published by the Office for National Statistics (or any other public body acquiring its functions).

Returned Project Revenues

means:

- (a) revenues received (whether by the licensee or any other Gas Transporter Licensee) under the NIC Funding Mechanism in respect of an Eligible NIC Project that the Authority determines have not been spent, where that Eligible NIC Project has been carried out in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction; or
- (b) revenues earned from Eligible NIC Projects (whether undertaken by the licensee or any other Gas Transporter Licensee) other than Returned Royalty Income that the Authority determines are payable to customers.

Returned Royalty Income

means revenue earned from intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other Gas Transporter Licensee) less Directly Attributable Costs, that is payable to customers under the NIC Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.

RIGs

means the document published by the Authority in accordance with Standard Special Condition A40 (Regulatory Instructions and Guidance).

RIIO-1 Justified Material Over-delivery	means the delivery of a higher level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that higher level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.
RIIO-1 Justified Material Under-delivery	means the delivery of a lower level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that lower level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.
RIIO-1 Materially Equivalent Output	means an equivalent level of risk to a RIIO-1 Network Output.
RIIO-1 Network Innovation Allowance	means the arrangements established by Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021.
RIIO-1 Network Output	means the network replacement outputs as set out in Table 1 of Special Condition 7E (Specification of Network Replacement Outputs) of this licence as in effect on 31 March 2021.
RIIO-1 NIA Governance Document	means the document issued by the Authority in accordance with Part E of Special Condition 2E (The Network Innovation Allowance) as in force on 31 March 2021.
RIIO-1 NOMs Principles	means the principles set out in Chapter 2 of the document titled “Network Output Measures (NOMs) Incentive Methodology” published by the Authority on 6 December 2018.
RIIO-2 Final Determinations	means the documents published by the Authority on 8 December 2020 (and subsequently updated on 3 February 2021) setting out the Authority's decisions in relation to the Price Control Period.
RIIO-2 NIA Governance Document	means the document issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-2 network innovation allowance).
RIIO-2 NIA Projects	means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-2 NIA Governance Document as are necessary to

	enable the projects to be funded under the provisions of Special Condition 5.2 (RIIO-2 network innovation allowance).
RIIO-GT1	means the price control that applied to the licensee for the period of eight Regulatory Years beginning on 1 April 2013.
RIIO-GT1 Bad Debt	means the Bad Debt incurred during RIIO-GT1.
RIIO-GT1 SO Bad Debt	means the SO Bad Debt incurred during RIIO-GT1.
RPEs	has the meaning given to the term “Real Price Effects” in Appendix 1 to the GT2 Price Control Financial Handbook.
Senior Accounting Officer	has the meaning given to that term in Schedule 46 to the Finance Act 2009, as amended from time to time.
Short ILI	means work necessary to undertake an In Line Inspection of a section of the pipeline system to which this licence relates where the length of pipeline concerned is 10km or less requires one or more Maintenance Plan Days.
Short-Cycle Storage Facility	means a Storage Facility which regularly utilises its capability both to withdraw and inject gas into the facility on the same Day.
Shortfall Direction	means: <ul style="list-style-type: none"> <li>(a) in relation to energy administration, a direction issued by the Secretary of State for the purpose of meeting any “relevant debt”, within the meaning of section 169(4) of the Energy Act 2004;</li> <li>(b) in relation to energy supply company administration, a direction issued by the Secretary of State for the purpose of meeting any "relevant debt" within the meaning of section 99(4) of the Energy Act 2011; or</li> <li>(c) in relation to smart meter communication licensee administration, a direction issued by the Secretary of State for the purpose of meeting any "relevant debt" within the meaning of section 7(4) of the Smart Meters Act 2018 (including any modifications to such a direction made by any subsequent Shortfall Direction</li> </ul>

and any Shortfall Direction replacing a previous Shortfall Direction).

Shortfall Payment Recipients	means the persons to whom a payment is to be made under paragraph 9.15.4 of Special Condition 9.15 (NTS shortfall contribution obligations).
Shoulder Months	means the months of October, November, February and March.
Shrinkage Procurement Report	means a report produced by the licensee pursuant to part K of Special Condition 5.6 (System operator external incentives, revenues and costs).
SIF	means the strategic innovation fund established by Special Condition 5.7 (The strategic innovation fund).
SIF Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible SIF Projects, whether undertaken by the licensee or any other Gas Transporter Licensee, that have not been otherwise remunerated by NTS Transportation Owner Charges, Directly Remunerated Services or the SIF Funding Mechanism.
SIF Disallowed Expenditure	means revenue received, whether by the licensee or any other Gas Transporter Licensee, under the SIF Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction.
Eligible SIF Project	means a project undertaken by the licensee or any other Gas Transporter Licensee that the Authority assess as satisfying such requirements of the SIF Governance Document as are necessary to enable the project to be funded under the SIF Funding Mechanism.
SIF Funding	means the total amount of funding authorised by the Authority for the licensee, other Gas Transporter Licensees and any body administering the SIF, in accordance with the provisions of the SIF Governance

	Document, for the purpose of funding the administration of the SIF and Eligible SIF Projects.
SIF Funding Mechanism	means the mechanism by which the licensee recovers the amount of authorised SIF Funding in any Regulatory Year and apportions that amount between the licensee, other Gas Transporter Licensees and any body administering the SIF as appropriate in accordance with the SIF Governance Document
SIF Funding Return	means the total amount, in respect of the licensee, other Gas Transporter Licensees and any body administering the SIF, of any amounts arising under the SIF Funding Return Mechanism.
SIF Funding Return Mechanism	means the mechanism which provides for the recovery from the licensee, from other Gas Transporter Licensees and any body administering the SIF, in each case to such extent (if any) as may be relevant, of: <ul style="list-style-type: none"> <li>a) SIF Halted Project Revenues;</li> <li>b) SIF Disallowed Expenditure;</li> <li>c) SIF Returned Royalty Income;</li> <li>d) SIF Returned Project Revenues; and</li> <li>e) funds for administering the SIF.</li> </ul>
SIF Governance Document	means the document issued by the Authority under Part C of Special Condition 5.7 (The Strategic Innovation Fund)
SIF Halted Project Revenues	means revenues received, whether by the licensee or any other Gas Transporter Licensee, under the SIF Funding Mechanism in respect of an Eligible SIF Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction.
SIF Project Direction	means a direction issued by the Authority pursuant to the SIF Governance Document setting out the terms to be followed in relation to an Eligible SIF Project as a condition of its funding under the SIF Funding Mechanism
SIF Returned Project Revenues	means:

	<p>a) revenues received, whether by the licensee or any other Gas Transporter Licensee, under the SIF Funding Mechanism in respect of an Eligible SIF Project that the Authority determines have not been spent, and where that project has been carried out in accordance with the applicable provisions of the SIF Governance Document and/or the terms of the relevant SIF Project Direction; or</p> <p>b) revenues earned from an Eligible SIF Project, whether undertaken by the licensee or any other Gas Transporter Licensee, other than SIF Returned Royalty Income that the Authority determines are payable to customers.</p>
SIF Returned Royalty Income	<p>means revenue earned from intellectual property generated through Eligible SIF Projects, whether undertaken by the licensee or any other Gas Transporter Licensee, less SIF Directly Attributable Costs, and that is payable to customers under the SIF Funding Mechanism, as calculated in accordance with the provisions of the SIF Governance Document</p>
Single-year Monetised Risk	<p>means the Monetised Risk measured over a given one-year time period.</p>
Small Net Zero Projects	<p>means a project that would be within the scope of the Re-opener provided by Special Condition 3.6 (Net zero Re-opener) but for failing to meet the Materiality Threshold.</p>
SO Actual Corporation Tax Liability	<p>means the proportion of the value as shown in the licensee's company tax return (CT600) as submitted to Her Majesty's Revenue and Customs, relating to the licensee's NTS System Operation Activities.</p>
SO Allowed Revenue	<p>is the amount the licensee should aim to recover through its NTS System Operation Charges, derived in accordance with the formula in Part C of Special Condition 2.3 (System operator revenue restriction).</p>
SO Bad Debt	<p>means the expense incurred by the licensee when NTS System Operation Charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded, and the</p>

	licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.
SO Calculated Revenue	has the value given to $SOR_t$ in Part E of Special Condition 2.3 (System operator revenue restriction).
SO Calculated Tax Allowance	means the value of the $SOTAXA_t$ term as set out in the “Revenue” sheet of the GT2 Price Control Financial Model relating to the licensee’s NTS System Operation Activities.
SO Recovered Revenue	has the value given to $SORR_t$ in accordance with Part B of Special Condition 2.3 (System operator revenue restriction).
SO Recovered Revenue Billed	has the meaning given to that term in Part B of Special Condition 2.3 (System operator revenue restriction) inclusive of SO Bad Debt as defined Part H of Special Condition 2.3 (System operator revenue restriction).
SONIA	means the daily values of the sterling overnight index average, series ID “IUDSOIA”, published by the Bank of England (or any other public body acquiring its functions).
Statutory Network Security Standard	has the meaning given to the term “Gas Security Standard” in Standard Special Condition A9 (Pipe-line System Security Standards).
Storage Capacity Notice	means a monthly storage capacity statement provided by a Storage Facility operator to the licensee from time to time, detailing on the first day of each month $m$ of year $y$ : <ul style="list-style-type: none"> <li>(a) the physical capacity of the Short-Cycle Storage Facility under the operation of the relevant Storage Facility operator;</li> <li>(b) the capacity of the Short-Cycle Storage Facility allocated to system users (excluding Operating Margins);</li> <li>(c) the quantity of un-booked capacity at the Short-Cycle Storage Facility;</li> <li>(d) the projected available capacity for the period up until the subsequent submitted Storage Capacity Notice,</li> </ul>

including the projected total physical deliverability and injectability for the period; and

- (e) any details of non/reduced availability for the period up until the subsequent submitted Storage Capacity Notice.

Storage Connection Agreement has the meaning given to that term in the Uniform Network Code.

Storage Facility has the meaning given to that term in the Uniform Network Code.

Storage Year has the meaning given to that term in the Uniform Network Code.

Supply Meter Installation has the meaning given to that term in the Network Code.

Supply Of NTS Services means the undertaking and performance for gain and reward of engagements:

- (a) in connection with the conveyance of gas through the NTS other than engagements in connection with activities within the definition of the NTS System Operation Activity;
- (b) for the prevention of the escape of gas, which has been taken off the NTS, other than to the Distribution Network or any pipeline system operated by a person holding a gas transporter's licence or who is exempted from holding such a licence which but for such pipeline not being operated by the licensee, would fall within the definition of the Distribution Network; and
- (c) for the provision of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity.

System Average Price has the meaning given to that term in the Uniform Network Code.

System Clearing Contract has the meaning given to that term in the Uniform Network Code.

System Entry Overrun Charges has the meaning given to that term in the Uniform Network Code.

System Management Principles Statement	means a statement of that name established in accordance with Part C and revised in accordance with Part D of Special Condition 9.19 (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 Eligible Balancing Actions and Eligible Balancing Action derivatives and Constraint Management services.
System Management Services Adjustment Methodology	means a methodology of that name established in accordance with Part E and revised in accordance with Part F of Special Condition 9.19 (System Management Services).
System Marginal Buy Price	has the meaning given to that term in the Uniform Network Code.
System Marginal Sell Price	has the meaning given to that term in the Uniform Network Code.
Tariff Capped Metering Activities	means those activities provided by the licensee listed in paragraph 3 of Special Condition 9.16 (Restriction of prices in respect of Tariff Capped Metering Activities).
Tax Reconciliation	<p>means the reconciliation between:</p> <p>(a) the licensee's TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability; and</p> <p>(b) the licensee's SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability</p> <p>as reported to the Authority as part of the GT2 Price Control Financial Model.</p>
Tax Strategy	has the meaning given to that term in Schedule 19 to the Finance Act 2016, as amended from time to time.
Time Value of Money Adjustment	has the meaning given to that term in the glossary of the GT2 Price Control Financial Handbook.
TO Actual Corporation Tax Liability	means the proportion of the value as shown in the licensee's company tax return (CT600) as submitted to Her Majesty's Revenue and Customs, relating to the licensee's NTS Transportation Owner Activities.

TO Calculated Tax Allowance	means the value of the $TAX_t$ term as set out the “Revenue” sheet of the GT2 Price Control Financial Model in relation to NTS Transportation Owner Activity.
TO Recovered Revenue	has the value given to $RR_t$ in accordance with Part B of Special Condition 2.1 (Transportation owner revenue restriction).
TO Recovered Revenue Billed Basis	has the meaning given to that term in Part B of Special Condition 2.1 (Transporter owner revenue restriction) inclusive of Bad Debt as defined Part I of Special Condition 2.1 (Transporter owner revenue restriction).
Total NIA Expenditure	means expenditure that satisfies the requirements of the RIIO-2 NIA Governance Document and is partly recovered by the licensee under Special Condition 5.2 (RIIO-2 network innovation allowance).
Totex Allowance	means the sum of values under the heading “Totex allowance” in the “Input” sheet of the GT2 Price Control Financial Model.
Totex Incentive Mechanism	means the mechanism within the GT2 Price Control Financial Model which provides for the licensee to bear a specified share of any overspend, or retain a specified share of any underspend, represented in either case by a difference between: <ul style="list-style-type: none"> <li>(a) the licensee’s Totex Allowance; and</li> <li>(b) the licensee’s actual totex expenditure.</li> </ul>
Totex Incentive Strength	has the value of 39%.
Transmission Planning Code	means the document maintained by the licensee in accordance with Special Condition 9.11 (Transmission Planning Code).
Transportation Arrangements	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Transportation Business	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Transportation Constraints	has the meaning given to that term in the Uniform Network Code.

Transportation System	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
UAG	is unaccounted for gas and means the amount of gas (GWh) that remains unaccounted for after the Entry Close-out Date following the assessment of NTS Shrinkage performed in accordance with the Uniform Network Code.
UAG Projects	means the projects currently undertaken by the licensee including: <ul style="list-style-type: none"> <li>(a) the witnessing by the licensee of the validation of Measurement Equipment at NTS System Entry Points or Supply Meter Installations at NTS Exit Points; and</li> <li>(b) investigation and analysis of data in order to seek to identify causes of UAG.</li> </ul>
UAGCVS Report	means a report required under Part J of Special Condition 5.6 (System operator external incentives, revenues and costs).
UK Link Gemini	has the meaning given to that term in the Uniform Network Code.
Uncertain Costs	means: <ul style="list-style-type: none"> <li>(a) Quarry and Loss Development Claim Costs; and</li> <li>(b) Pipeline Diversion Costs.</li> </ul>
Uniform Network Code	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Use It Or Lose It Adjustment	means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to: <ul style="list-style-type: none"> <li>(a) improving cyber resilience in relation to OT, including risk reduction or improved status of the licensee’s network and information systems with respect to CAF Outcomes, in relation to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment); or</li> </ul>

	(b) developing projects in preparation for Re-openers in relation to Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance) which will not exceed the allowance provided.
User	has the meaning given to that term 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.
Very Large Daily Metered Consumers	has the meaning given to that term in the Uniform Network Code.
WACC	means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the GT2 Price Control Financial Handbook.
Zero Licence Baseline Entry Capacity Point	means a NTS Entry Point, which is not contained within Appendix 1 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) at which there is zero Licence Baseline Entry Capacity allocated and which, as a result, does not give rise to any funding allowance.
Zero Licence Baseline Exit Capacity Point	means a NTS Exit Point, which is not contained within Appendix 2 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) at which there is zero Licence Baseline Exit Capacity allocated and which, as a result, does not give rise to any baseline funding allowance.

## **Special Condition 1.2 Variations to the standard special conditions for the purposes of this licence**

### **Introduction**

1.2.1 The purpose of this licence condition is to vary the standard special conditions in their application for the purposes of this licence.

### **Part C: Modifications**

1.2.2 For the purposes of this licence the following standard special conditions are to be read in accordance with the following table:

<b>Standard Special Provision Condition</b>	<b>Modification</b>
A3 (Definitions and Interpretation)	Sub-paragraph (c)(i) of the definition of “supply of transportation services” Substitute “(c)(i) facilitating balancing management; and”.
Standard Special Condition A4 (Charging – General)	Paragraph 1(a) After the words “specified descriptions of gas shippers” insert the words “and/or DN operators as appropriate”.
Standard Special Condition A4 (Charging – General)	Paragraph 2 For the words “NOT USED” substitute the following at sub-paragraphs (a) and (b): “(a) use its reasonable endeavours: ii. not to make any changes to the charges or reserve prices mentioned in paragraph 1 more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may direct; and iii. not to make any changes to charges or reserve prices in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) more frequently than once in each formula year and for such changes

to take place on 1 October in each formula year or at such other time as the Authority may direct;

(b) subject to sub-paragraph (a) above, if the licensee makes changes to the charges or reserve prices mentioned in paragraph 1 on dates other than those specified in paragraph (a)(i) and (a)(ii), inform the Authority in writing as soon as is reasonably practicable after the decision is made to make such a change to charges, and, in any event, not later than three months after the charge change has been implemented:

- i. stating the reasons for this change; and
- ii. clearly identifying whether any of the information provided as part of the statement of reasons for the change is of a confidential nature”.

Standard Special Paragraph  
 Condition A5 2A(b)  
 (Obligations as  
 Regard Charging  
 Methodology)

For the words “NOT USED” substitute:

“(b) use its reasonable endeavours:

- i. not to make any changes to the charging methodology more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may direct; and
- ii. only to make changes to the charging methodology in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) on 1 October in each formula year or at such other time as the Authority may direct”.

## **CHAPTER 2 REVENUE RESTRICTION**

### **Special Condition 2.1 Transportation owner revenue restriction (AR<sub>t</sub>)**

#### **Introduction**

- 2.1.1 The purpose of this condition is to ensure that NTS Transportation Owner Charges are set to aim to recover no more than Allowed Revenue.
- 2.1.2 This condition also provides for the calculation of the term AR<sub>t</sub> (the Allowed Revenue term) and RR<sub>t</sub> (the TO Recovered Revenue term).

#### **Part A: Licensee's obligation when setting NTS Transportation Owner Charges**

- 2.1.3 The licensee must, when setting NTS Transportation Owner Charges, use its best endeavours to ensure that TO Recovered Revenue does not exceed Allowed Revenue.

#### **Part B: Formula for calculating the TO Recovered Revenue term (RR<sub>t</sub>)**

- 2.1.4 The value of RR<sub>t</sub> is derived in accordance with the following formula, net of Bad Debt as derived in accordance with Part I:

$$RR_t = TOREntC_t + TORExC_t + TORCOM_t$$

where:

*TOREntC<sub>t</sub>* means the amount of revenue in respect of NTS Transportation Owner Activity that results from the sale of the following types of Entry Capacity:

- (a) Interruptible Entry Capacity;
- (b) Non-Incremental Obligated Entry Capacity; and
- (c) Funded Incremental Obligated Entry Capacity;

*TORExC<sub>t</sub>* means the amount of revenue in respect of NTS Transportation Owner Activity that results from the sale of the following types of Exit Capacity:

- (a) Off-Peak Exit Capacity;
- (b) Non-Incremental Obligated Exit Capacity; and
- (c) Funded Incremental Obligated Exit Capacity; and

*TORCOM<sub>t</sub>* means the amount of revenue in respect of NTS Transportation Owner Activity that results from:

- (a) charges levied by the licensee on Gas Shippers and DN Operators pursuant to Standard Special Condition A4 (Charging – General); and
- (b) payments made by the licensee to Gas Shippers and DN Operators other than revenue earned by the licensee through *TOREntC<sub>t</sub>* and *TORExC<sub>t</sub>*.

### Part C: Formula for calculating the Allowed Revenue term ( $AR_t$ )

2.1.5 The value of  $AR_t$  is derived in accordance with the following formula:

$$AR_t = ADJR_t^* + K_t + LAR_t$$

where:

$ADJR_t^*$  means  $ADJR_t$  most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the start of Regulatory Year  $t$ ;

$K_t$  means the K correction term and is derived in accordance with Part H; and

$LAR_t$  is derived in accordance with Special Condition 7.1 (Transportation owner legacy adjustments).

### Part D: Formula for calculating Adjusted Revenue ( $ADJR_t$ )

2.1.6 The value of  $ADJR_t$  is derived in accordance with the following formula

$$ADJR_t = R_t \frac{PI_t}{PI_{2018/19}} + ADJ_t$$

where:

$R_t$  means the Calculated Revenue term ( $R_t$ ) calculated in accordance with Paragraph 2.1.7 of this condition;

$PI_t$  means the price index term derived in accordance with Part F; and

$ADJ_t$  means the transportation owner AIP adjustment term and is derived in accordance with Part G.

### Part E: Formula for calculating the Calculated Revenue term ( $R_t$ )

2.1.7 The value of  $R_t$  is derived in accordance with the following formula:

$$R_t = FM_t + PT_t + DPN_t + RTN_t + RTNA_t + EIC_t + DRS_t + BPI_t + ODI_t + ORA_t + TAX_t + TAXA_t$$

where:

$FM_t$  means fast money and has the value set out in the “Revenue” sheet of the GT2 Price Control Financial Model;

$PT_t$  is derived in accordance with Special Condition 6.1 (Transportation owner pass-through items);

$DPN_t$  means depreciation and has the value set out in the “Revenue” sheet of the GT2 Price Control Financial Model;

- $RTN_t$  means return and has the value set out in the “Revenue” sheet of the GT2 Price Control Financial Model;
- $RTNA_t$  means return adjustment and is derived in accordance with Special Condition 2.5 (Return Adjustment);
- $EIC_t$  means equity issuance costs and has the value set out in the “Revenue” sheet of the GT2 Price Control Financial Model;
- $DRS_t$  means Directly Remunerated Services and has the value set out in the “Revenue” sheet of the GT2 Price Control Financial Model;
- $ODI_t$  is derived in accordance with Special Condition 4.1 (Total output delivery incentive performance);
- $BPI_t$  means the business plan incentive term and has the value set out in the “Revenue” sheet of the GT2 Price Control Financial Model;
- $ORA_t$  is derived in accordance with Special Condition 5.1 (Transportation owner other revenue allowance);
- $TAX_t$  has the value set out in the “Revenue” sheet of the GT2 Price Control Financial Model; and
- $TAXA_t$  means the tax allowance adjustment term and has the value zero, unless the Authority directs otherwise under Special Condition 2.2 (Transportation owner tax allowance adjustment).

**Part F: Formula for calculating the price index term (PI<sub>t</sub>)**

2.1.8 The value of PI<sub>t</sub> is the arithmetic average value of each of the twelve monthly values of PI<sub>m</sub> from 1 April to 31 March within Regulatory Year t, derived in accordance with the following formula:

$$PI_m = \begin{cases} RPI_m, & \text{if } m < \text{April 2021} \\ PI_{m-1} \left( 0.5 \frac{CPIH_m}{CPIH_{m-1}} + 0.5 \frac{RPI_m}{RPI_{m-1}} \right), & \text{if } m = \text{April 2021} \\ PI_{m-1} \cdot \frac{CPIH_m}{CPIH_{m-1}}, & \text{if } m > \text{April 2021} \end{cases}$$

where:

- $m$  refers to a year and month;
- $RPI_m$  means the Retail Prices Index for the year and month m; and
- $CPIH_m$  means the Consumer Prices Index Including Owner Occupiers' Housing Costs for the year and month m.

**Part G: Transportation owner AIP adjustment term (ADJ<sub>t</sub>)**

2.1.9 For the Regulatory Year commencing on 1 April 2021, the value of ADJ is zero.

2.1.10 For subsequent Regulatory Years, the value of ADJ<sub>t</sub> is derived in accordance with the following formula:

$$ADJ_t = (ADJR_{t-1} - ADJR_{t-1}^*)(1 + TVM_{t-1})$$

where:

$ADJR_t$  is derived in accordance with Part D;

$ADJR_t^*$  means ADJ<sub>t</sub> most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the start of Regulatory Year t; and

$TVM_t$  means the time value of money term derived in accordance with paragraph 2.1.11.

2.1.11 The value of TVM<sub>t</sub> is derived in accordance with the following formula:

$$TVM_t = (1 + WACC_t) \frac{PI_{t+1}}{PI_t} - 1$$

where:

$WACC_t$  means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the GT2 Price Control Financial Handbook; and

$PI_t$  means the price index term derived in accordance with Part F.

**Part H: Transportation owner correction term (K<sub>t</sub>)**

2.1.12 The value of K<sub>t</sub> is derived in accordance with the following formula:

$$K_t = (AR_{t-1} - RR_{t-1})(1 + I_{t-1} + 1.15\% + PRP_{t-1} \times PRA_{t-1})$$

where:

$AR_t$  for Regulatory Years starting on or after 1 April 2021 is derived in accordance with Part C. For the Regulatory Year starting on 1 April 2020  $AR_t$  has the value of MR<sub>t</sub> derived in accordance with Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021;

$RR_t$  means TO Recovered Revenue derived in accordance with Part B;

$I_t$  means the average value of SONIA;

$PRP_t$  means the penal rate proportion and has the value of 1, unless the Authority has directed a value between 0 and 1 in accordance with paragraph 2.1.15; and

$PRA_t$  means the penal rate adjustment, derived in accordance with paragraph 2.1.14.

2.1.13 The value of  $PRA_t$  is derived in accordance with the following formula:

$$PRA_t = \begin{cases} 1.15\% & \text{if } RR_t/AR_t \geq 1.06 \\ -1.15\% & \text{if } RR_t/AR_t \leq 0.94 \\ 0, & \text{otherwise} \end{cases}$$

where:

$RR_t$  is derived in accordance with Part B; and

$AR_t$  is derived in accordance with Part C.

2.1.14 The Authority may direct a value for  $PRP_t$  which is not less than zero and not more than 1 if it is satisfied that the difference between TO Recovered Revenue and Allowed Revenue is for reasons outside the reasonable control of the licensee.

#### **Part I: Formula for calculating the Bad Debt term (BDt)**

2.1.15 The value of BDt is derived in accordance with the following formula:

$$BD_t = BDA_t - RBD_t$$

where:

$BDA_t$  means the aggregate value of Bad Debt the licensee has incurred or expects to incur, inclusive of RIIO-GT1 Bad Debt and COVID-19 Transportation Owner Bad Debt, with respect to NTS Transportation Owner Charges owed to the licensee by one or more Defaulting Gas Shippers, less the interest income accrued at the default rate set out in the Uniform Network Code net of WACC with respect to the COVID-19 Scheme; and

$RBD_t$  means the aggregate value of Bad Debt previously recovered, inclusive of RIIO-GT1 Bad Debt and COVID-19 Transportation Owner Bad Debt, by the licensee via the BDA<sub>t</sub> term, where the licensee has received cash through either the Defaulting Gas Shipper or been credited by the administrator or liquidator of a Defaulting Gas Shipper.

## **Special Condition 2.2 Transportation owner tax allowance adjustment (TAXA<sub>t</sub>)**

### **Introduction**

- 2.2.1 The purpose of this condition is to calculate any adjustment to the term TAXA<sub>t</sub> (the tax allowance adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 2.2.2 The effect is to adjust Calculated Revenue, if required following a review of material, unexplained differences between the licensee's TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability, in accordance with Chapter 6 of the GT2 Price Control Financial Handbook.
- 2.2.3 This condition also explains the process the Authority will follow when directing any change as a result of the review.

### **Part A: Undertaking a tax review**

- 2.2.4 The Authority may undertake a tax review of any material, unexplained differences between the licensee's TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability in accordance with Chapter 6 of the GT2 Price Control Financial Handbook.
- 2.2.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and gives the reasons for that decision, the licensee must:
- a. procure an Appropriately Qualified Independent Examiner to examine the differences between the licensee's TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability and send a report to the Authority;
  - b. carry out any reasonable steps specified by the Authority for such a procurement and comply with any requirements reasonably specified by the Authority as to the terms of appointment of the Appropriately Qualified Independent Examiner;
  - c. ensure that the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, reasonably specified by the Authority after discussing with the examiner; and
  - d. send to the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority, following discussion with the examiner.
- 2.2.6 Following receipt of the Appropriately Qualified Independent Examiner's report, the Authority will:

- a) direct any adjustment to the value of the  $TAXA_t$  term that it considers should be made taking account of the report; and
- b) specify the Regulatory Years to which that adjustment relates.

**Part B: What process will the Authority follow in making a direction?**

2.2.7 Before making a direction under paragraph 2.2.6, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

## **Special Condition 2.3 System operator revenue restriction (SOARt)**

### **Introduction**

- 2.3.1 The purpose of this condition is to ensure that NTS System Operation Charges are set to aim to recover no more than SO Allowed Revenue.
- 2.3.2 This condition also provides for the calculation of the term  $SORR_t$  (the SO Recovered Revenue term and the term  $SOAR_t$  (the SO Allowed Revenue term).

### **Part A: Licensee's obligation**

- 2.3.3 The licensee must, when setting NTS System Operation Charges, use its best endeavours to ensure that SO Recovered Revenue does not exceed SO Allowed Revenue.

### **Part B: Formula for calculating the SO Recovered Revenue term (SORR<sub>t</sub>)**

- 2.3.4 The value of  $SORR_t$  is derived in accordance with the following formula, net of SO Bad Debt as derived in accordance with Part H:

$$SORR_t = SOREntC_t + SORExC_t + RCOM_t + SOROC_t$$

where:

- $SOREntC_t$  means the amount of revenue in respect of NTS System Operation Activity that results from the sale of Non-Obligated Entry Capacity
- $SORExC_t$  means the amount of revenue in respect of NTS System Operation Activity that results from the sale of Non-Obligated Exit Capacity
- $RCOM_t$  means the amount of revenue in respect of NTS System Operation Activity that results from charges levied by the licensee on Gas Shippers and DN Operators pursuant to Standard Special Condition A4 (Charging – General) in respect of NTS System Operation Activity. This will include revenue from charges to recover costs incurred by the licensee and net payments made to or by the licensee in respect of reducing the costs arising from NTS System Operation Activity other than revenue earned by the licensee through:
- (a)  $SOREntC_t$ ;
  - (b)  $SORExC_t$ ;
  - (c)  $SOROC_t$ ; and
  - (d) revenues received by the licensee from the sale of gas purchased by the licensee in respect of its use of Constrained Storage Facilities in order to avoid Transportation Constraints; and

$SOROC_t$  means the amount of revenue derived by the licensee through associated NTS System Operation Charges and is derived in accordance with the following formula:

$$SOROC_t = RNC_t + RCOR_t + FTI_t + RLOC_t + RADD_t$$

where:

$RNC_t$  means net revenue derived by the licensee from Balancing Neutrality Charges;

$RCOR_t$  means the revenue derived by the licensee from System Entry Overrun Charges;

$FTI_t$  means the revenue derived by the licensee from charges levied on Gas Shippers and DN Operators in respect of any Failure To Interrupt;

$RLOC_t$  means the revenue derived by the licensee from Locational Sell Actions and Physical Renomination Incentive Charges; and

$RADD_t$  has the meaning given in paragraph 5.5.5 of Special Condition 5.5 (Entry Capacity and Exit Capacity Constraint Management).

**Part C: Formula for calculating the SO Allowed Revenue term ( $SOAR_t$ )**

2.3.5 The value of  $SOAR_t$  is derived in accordance with the following formula:

$$SOAR_t = SOADJR_t^* + SOK_t + SOLAR_t$$

where:

$SOADJR_t^*$  means the value of  $SOADJR_t$  most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the start of Regulatory Year  $t$ ;

$SOK_t$  means the SO K correction term and is derived in accordance with Part G; and

$SOLAR_t$  is derived in accordance with Special Condition 7.10 (System operator legacy adjustments).

**Part D: Formula for calculating the SO Adjusted Revenue term ( $SOADJR_t$ )**

2.3.6 The value of  $SOADJR_t$  is derived in accordance with the following formula

$$SOADJR_t = SOR_t \frac{PI_t}{PI_{2018/19}} + SOADJ_t$$

where:

$SOR_t$  means the SO Calculated Revenue term ( $SOR_t$ ) calculated in accordance with paragraph 2.3.7 of this condition;

$PI_t$  means the price index term derived in accordance with Part F of Special Condition 2.1; and

$SOADJ_t$  means the SO AIP adjustment term and is derived in accordance with Part F.

### **Part E: Formula for calculating the SO Calculated Revenue term ( $SOR_t$ )**

2.3.7 The value of  $SOR_t$  is derived in accordance with the following formula:

$$SOR_t = SOFM_t + SOPT_t + SODPN_t + SORTN_t + SOORA_t + SOTAX_t + SOTAXA_t$$

where:

$SOFM_t$  means fast money and has the value set out in the “System Operator” sheet of the GT2 Price Control Financial Model;

$SOPT_t$  is derived in accordance with Special Condition 6.3 (System operator pass-through items);

$SODPN_t$  means depreciation and has the value set out in the “System Operator” sheet of the GT2 Price Control Financial Model;

$SORTN_t$  means return and has the value set out in the “System Operator” sheet of the GT2 Price Control Financial Model;

$SOORA_t$  is derived in accordance with Special Condition 5.4 (System Operator other revenue allowance);

$SOTAX_t$  has the value set out in the “System Operator” sheet of the GT2 Price Control Financial Model; and

$SOTAXA_t$  means the SO tax allowance adjustment term and has the value zero unless the Authority directs otherwise under Special Condition 2.4 (System operator tax allowance adjustment).

### **Part F: SO AIP adjustment term ( $SOADJ_t$ )**

2.3.8 For the Regulatory Year commencing on 1 April 2021, the value of  $SOADJ$  is zero.

2.3.9 For subsequent Regulatory Years, the value of  $SOADJ_t$  is derived in accordance with the following formula:

$$SOADJ_t = (SOADJR_{t-1} - SOADJR_{t-1}^*)(1 + TVM_{t-1})$$

where:

$SOADJR_t$  is derived in accordance with Part D;

$SOADJR_t^*$  means the value of  $SOADJR_t$  most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the start of Regulatory Year  $t$ ; and

$TVM_t$  is derived in accordance with paragraph 2.1.11 of Special Condition 2.1 (Transportation owner revenue restriction).

**Part G: SO K correction term ( $SOK_t$ )**

2.3.10 The value of  $SOK_t$  is derived in accordance with the following formula:

$$SOK_t = (SOAR_{t-1} - SORR_{t-1})(1 + I_{t-1} + 1.15\% + SOPRP_{t-1} \times SOPRA_{t-1})$$

where:

$SOAR_t$  for Regulatory Years commencing on or after 1 April 2021  $SOAR_t$  is derived in accordance with Part C. For the Regulatory Year commencing on 1 April 2020  $SOAR_t$  has the value of  $SOMR_t$  derived in accordance with Part C of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021;

$SORR_t$  means SO Recovered Revenue derived in accordance with Part B;

$I_t$  means the average value of SONIA in Regulatory Year;

$SOPRP_t$  means the penal rate proportion and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.3.13; and

$SOPRA_t$  means the SO penal rate adjustment, derived in accordance with paragraph 2.3.12.

2.3.11 The value of  $SOPRA_t$  is derived in accordance with the following formula:

$$SOPRA_t = \begin{cases} 1.15\% & \text{if } SORR_t/SOAR_t \geq 1.06 \\ -1.15\% & \text{if } SORR_t/SOAR_t \leq 0.94 \\ 0, & \text{otherwise} \end{cases}$$

where:

$SORR_t$  is derived in accordance with Part B; and

$SOAR_t$  is derived in accordance with Part C.

2.3.12 The Authority will direct a value for  $SOPRP_t$  which is not less than zero and not more than 1, if it is satisfied that differences between SO Recovered Revenue and SO Allowed Revenue were for reasons outside the reasonable control of the licensee.

**Part H: Formula for calculating the System Operator Bad Debt term (SOBD<sub>t</sub>)**

2.3.13 The value of SOBD<sub>t</sub> is derived in accordance with the following formula:

$$SOBD_t = SOBDA_t - SORBD_t$$

where:

*SOBDA<sub>t</sub>* means the aggregate value of SO Bad Debt the licensee has incurred or expects to incur, inclusive of RIIO-GT1 SO Bad Debt and COVID-19 System Operator Bad Debt, with respect to NTS System Operation Charges owed to the licensee by one or more Defaulting Gas Shippers, less the interest income accrued at the default rate set out in the Uniform Network Code net of WACC with respect to the COVID-19 Scheme; and

*SORBD<sub>t</sub>* means the aggregate value of SO Bad Debt previously recovered, inclusive of RIIO-GT1 SO Bad Debt and COVID-19 System Operator Bad Debt, by the licensee via the SOBDA<sub>t</sub> term, where the licensee has been credited by the administrator or liquidator of a Defaulting Gas Shipper

## **Special Condition 2.4 System operator tax allowance adjustment (SOTAXA<sub>t</sub>)**

### **Introduction**

- 2.4.1 The purpose of this condition is to calculate any adjustment to the term SOTAXA<sub>t</sub> (the SO tax allowance adjustment term), which feeds into SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).
- 2.4.2 The effect is to adjust SO Calculated Revenue, if required, following a review of material, unexplained differences between the licensee's SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability, in accordance with Chapter 6 of the GT2 Price Control Financial Handbook.
- 2.4.3 It also explains the process the Authority will follow when directing any change as a result of the review.

### **Part A: Undertaking a tax review**

- 2.4.4 The Authority may undertake a tax review of any material, unexplained differences between the licensee's SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability in accordance with Chapter 6 of the GT2 Price Control Financial Handbook.
- 2.4.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and given the reasons for that decision, the licensee must:
- a) procure an Appropriately Qualified Independent Examiner to examine the differences between the licensee's SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability and submit a report to the Authority;
  - b) carry out any reasonable steps specified by the Authority for such a procurement and comply with any requirements reasonably specified by the Authority as to the terms of appointment of the Appropriately Qualified Independent Examiner;
  - c) ensure that the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, reasonably specified by the Authority after discussing with the examiner; and
  - d) send to the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority, following discussion with the examiner.
- 2.4.6 Following receipt of the Appropriately Qualified Independent Examiner's report, the Authority will:
- a) direct any adjustment to the value of the SOTAXA<sub>t</sub> term that it considers should be made taking account of said report; and

- b) specify the Regulatory Years to which that adjustment relates.

**Part B: What process will the Authority follow in making a direction?**

2.4.7 Before making a direction under paragraph 2.4.6, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

## **Special Condition 2.5 Return Adjustment (RTNA<sub>t</sub>)**

### **Introduction**

- 2.5.1 The purpose of this condition is to calculate the term RTNA<sub>t</sub> (the return adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 2.5.2 The effect of this condition is to adjust the TO Calculated Revenue following a review of Operational Performance after the Price Control Period.
- 2.5.3 It also explains the process the Authority will follow when directing any change as a result of the review.

### **Part A: Undertaking a review of Operational Performance**

- 2.5.4 After the Price Control Period, the Authority will undertake a review of Operational Performance.
- 2.5.5 Following its review, the Authority will direct any adjustment to the value of the term RTNA<sub>t</sub> in accordance with the method set out in Parts B and C and any further applicable explanation or elaboration within the GT2 Price Control Financial Handbook.

### **Part B: Formulae for calculating the return adjustment term (RTNA<sub>t</sub>)**

- 2.5.6 The value of RTNA<sub>t</sub> is derived in accordance with the following formula:

$$RTNA_t = RTNR \times \frac{RAVL_t \times (1 - G)}{\sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G)}$$

where:

- RTNR* means the return adjustment for the licensee over the Price Control Period, derived in accordance with paragraphs 2.5.7 and 2.5.8;
- RAVL<sub>t</sub>* means the RAV value for the licensee and has the value derived in accordance with the GT2 Price Control Financial Model; and
- G* means notional gearing, and has the value of 60%.

- 2.5.7 Where Operational Performance is equal to or greater than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G) \times [-MAX(MIN(OPP, T2) - T1, 0) \times AR1 - MAX(OPP - T2, 0) \times AR2]$$

where:

$RAVL_t$  means the RAV value for the licensee and has the value derived in accordance with the GT2 Price Control Financial Model;

$G$  means notional gearing, and has the value of 60%;

$OPP$  means the Operational Performance value for the licensee, in percentage terms, over the Price Control Period and has the value derived in accordance with the GT2 Price Control Financial Model;

$T1$  means threshold 1, and has the value of 3%;

$T2$  means threshold 2, and has the value of 4%;

$AR1$  means adjustment rate 1, and has the value of 50%; and

$AR2$  means adjustment rate 2, and has the value of 90%.

2.5.8 When Operational Performance is less than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G) \times$$

$$[MAX(MIN(-OPP, T2) - T1, 0) \times AR1 + MAX(-OPP - T2, 0) \times AR2]$$

where each term has the meaning given in paragraph 2.5.7.

### **Part C: What process will the Authority follow in making a direction?**

2.5.9 Before making a direction under paragraph 2.5.5, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

2.5.10 A direction under paragraph 2.5.5 will set out the value of the  $RTNA_t$  term and the Regulatory Years to which that adjustment relates.

## **CHAPTER 3: TOTEX ALLOWANCE ADJUSTMENTS**

### **Special Condition 3.1 Baseline Network Risk Outputs (NARM<sub>t</sub> and NARMAH<sub>t</sub>)**

#### **Introduction**

3.1.1 This condition calculates the value of the terms NARM<sub>t</sub> (the Baseline Allowed NARM Expenditure term) and NARMAH<sub>t</sub> (NARM asset health Re-opener term), which contributes to the calculation of the Totex Allowance.

3.1.2 The purpose of this condition is to:

- (a) set out the Baseline Network Risk Outputs that the licensee is funded to deliver
- (b) provide for a mechanism to adjust funding and for the application of a penalty in certain circumstances;
- (c) provide for the Rebasing of Baseline Network Risk Outputs; and
- (d) require the licensee to provide a close out report.

3.1.3 This condition also establishes:

- a) the NARM Handbook;
- b) the Network Asset Risk Workbook; and
- c) a robust and transparent change control framework for those documents .

#### **Part A: Formulae for calculating the Baseline Allowed NARM Expenditure term NARM<sub>t</sub> and the NARM asset health Re-opener term (NARMAH<sub>t</sub>)**

3.1.4 The value of NARM<sub>t</sub> is derived in accordance with the following formula:

$$NARM_t = NARMA_t - NARMR_t$$

where:

*NARMA<sub>t</sub>* means the Baseline Allowed NARM Expenditure in Appendix 1; and

*NARMR<sub>t</sub>* has the value zero unless adjusted by the Authority under section 23 of the Act in accordance with Part B

3.1.5 The value of NARMAH<sub>t</sub> is derived in accordance with the following formula:

$$NARMAH_t = NARMAH_{Ot} - NARMAHR$$

where:

$NARMAHO_t$  means the sum of allowances directed by the Authority in accordance with paragraphs 3.14.4(b), 3.14.8(b) and 3.14.9(b) of Special Condition 3.14 (Asset health Re-opener); and

$NARMAHR_t$  has the value zero unless adjusted by the Authority under section 23 of the Act in accordance with Part B.

### **Part B: Requirement to deliver Baseline Network Risk Outputs**

3.1.6 The licensee is funded to deliver, by the end of the Price Control Period, its Baseline Network Risk Outputs as set out in Appendix 1.

3.1.7 Where the e Outturn Network Risk Outputs are different to the Baseline Network Risk Outputs, any funding adjustments and penalties will be calculated by the Authority in accordance with the NARM Handbook and using the data in the Network Asset Risk Workbook.

### **Part C: Rebasing of Baseline Network Risk Outputs**

3.1.8 The licensees must, when submitting Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2 (Network Asset Risk Metric methodology), ensure that the Rebased Baseline Network Risk Outputs are:

- a) calculated using the NARM Methodology approved under paragraph 9.2.9 of Special Condition 9.2;
- b) representative of the same assumed volume and type of intervention for each NARM Asset Category as assumed in the setting of the Baseline Network Risk Outputs;
- c) Equally Challenging as the Baseline Network Risk Outputs; and
- d) in the same format as the Network Asset Risk Workbook.

3.1.9 Where the licensee proposes Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2, the Authority will consider the proposal and by direction:

- a) approve it, in cases where the Rebased Baseline Network Risk Outputs meet the criteria in paragraph 3.1.8 ;
- b) approve it with adjustments in cases where the adjustments are necessary to enable the Rebased Baseline Network Risk Outputs to meet the criteria in paragraph 3.1.8 ; or

- c) reject it, in cases where the Rebased Baseline Network Risk Outputs do not meet the criteria set out in paragraph 3.1.8 and the Authority is unable to adjust them to make them satisfy those criteria.

3.1.10 Before issuing a direction under paragraph 3.1.9, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the date on which the Authority intends the proposed direction to come into effect;
- c) the reasons for the proposed direction; and
- d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.1.11 Where the Authority approves Rebased Baseline Network Risk Outputs under paragraph 3.1.9(a) or (b);

- a) the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Outputs for the purposes of this condition; and
- b) the direction under paragraph 3.1.9(a) or (b) will modify Appendix 1 to reflect this.

#### **Part D: Requirement to provide a close out report**

3.1.12 On or before 31 October 2026, the licensee must provide to the Authority a report, together with detailed supporting evidence, which sets out the following:

- a) the licensee's Outturn Network Risk Outputs and a breakdown of those Outturn Network Risk Outputs in the manner specified by the Authority by direction under Standard Special Condition A40 (Regulatory Instructions and Guidance);
- b) the costs incurred by the licensee in delivering its Outturn Network Risk Outputs and a breakdown of those costs in the manner specified by the Authority by direction under Standard Condition A40 (Regulatory Instructions and Guidance);
- c) details of any Non-intervention Risk Changes, including the associated impact on Baseline Network Risk Outputs or Outturn Network Risk Outputs;
- d) justification cases for any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers to be justified; and
- e) details of any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers qualify as 'clearly identifiable over-delivery' or 'clearly identifiable under-delivery' as per the criteria set out in the NARM Handbook.

**Part E: The NARM handbook**

3.1.13 The NARM handbook forms part of this condition.

3.1.14 The Authority will publish the NARM Handbook on the Authority's Website.

3.1.15 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the type set out in paragraph 3.1.16 that if made would improve the clarity or usefulness to users of the NARM Handbook. .

3.1.16 The following categories of modifications may be made under this Part:

- a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, renaming or re-ordering of sections;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions of this licence such as amendments made to Appendix 1 or the Network Asset Risk Workbook;
- (e) correction of manifest errors; and
- (f) changes to the guidance provided by the NARM Handbook.

3.1.17 Before amending the NARM Handbook by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended NARM Handbook;
- (b) the date on which the Authority intends the amended NARM Handbook to come into effect;
- (c) the reasons for the amendments to the NARM Handbook; and
- (d) a period during which representations may be made on the amendments to the NARM Handbook, which will not be less than 28 days.

3.1.18 The Authority will ensure that any modifications of the NARM Handbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the NARM Handbook maintained on the Authority's Website.

**Part F: The Network Asset Risk Workbook**

3.1.19 The Network Asset Risk Workbook forms part of this condition

3.1.20 The Authority will:

- (a) send to the licensee the Network Asset Risk Workbook; and

- (b) publish a redacted version of the Network Asset Risk Workbook on the Authority's Website.

3.1.21 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the type set out in paragraph 3.1.22 that if made would improve the clarity or usefulness to users of the Network Asset Risk Workbook.

3.1.22 The following categories of modifications may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions of this licence such as amendments made to Appendix 1 or the NARM Handbook; and
- (e) correction of manifest errors.

3.1.23 Before amending the Network Asset Risk Workbook by direction, the Authority will publish on the Authority's Website:

- (a) the amended Network Asset Risk Workbook;
- (b) the date on which the Authority intends the amended Network Asset Risk Workbook to come into effect;
- (c) the reasons for the amendments to the Network Asset Risk Workbook; and
- (d) a period during which representations may be made on the amendments to the Network Asset Risk Workbook, which will not be less than 28 days.

3.1.24 The Authority will:

- (a) ensure that any modifications of the Network Asset Risk Workbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the Network Asset Risk Workbook;
- (b) send the consolidated version to the licensee; and
- (c) maintain a redacted consolidated version on the Authority's Website.

## Appendix 1

Cumulative total of Baseline Network Risk Outputs (R£m*) and Baseline Allowed NARM Expenditure (NARMA <sub>t</sub> ) for delivering Baseline Network Risk Outputs (£m)						
Baseline Network Risk Output (R£m)	Baseline Allowed NARM Expenditure, excluding RPEs (£m)					RIIO-2 Total
	2021/22	2022/23	2023/24	2024/25	2025/26	
200.77	70.56	93.60	79.78	49.85	60.65	354.43

**Special Condition 3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment (CROT<sub>t</sub> and CROTRE<sub>t</sub>)**

**Introduction**

3.2.1 The purpose of this condition is to calculate the terms CROT<sub>t</sub> (the cyber resilience OT baseline term) and CROTRE<sub>t</sub> (the cyber resilience OT Re-opener term). These contribute to the calculation of the Totex Allowance.

3.2.2 The effect of this condition is to:

- a) establish the Cyber Resilience OT Baseline Allowances Table;
- b) ;establish the Cyber Resilience OT PCD Table, which specifies the outputs, delivery dates and associated allowances for cyber resilience in relation to OT;
- c) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience OT PCD Table;
- d) require the licensee to submit a Cyber Resilience OT Plan at the start of the Price Control Period;
- e) establish Re-openers for the licensee and Authority to trigger amendments to the Cyber Resilience OT Baseline Allowances Table and the Cyber Resilience OT PCD Table during the Price Control Period;
- f) require the licensee to report regularly to the Authority on cyber resilience OT; and
- g) provide for an assessment of delivery under this condition, including a Use It Or Lose It Adjustment.

3.2.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.2.8, 3.2.16, or 3.2.18.

**Part A: Formulae for calculating the cyber resilience OT baseline term (CROT<sub>t</sub>) and the cyber resilience OT non-baseline term (CROTRE<sub>t</sub>)**

3.2.4 The value of CROT<sub>t</sub> is derived in accordance with the following formula:

$$CROT_t = CROTA_t - CROTRA_t$$

where:

CROTA<sub>t</sub> means the allowances in the Cyber Resilience OT Baseline Allowances Table as amended as a result of circumstances set out in paragraph 3.2.11(d)(i); ; and

$CROTRA_t$  has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.2.5 The value of  $CROTRE_t$  is derived in accordance with the following formula:

$$CROTRE_t = CROTO_t - CROTRO_t$$

where:

$CROTO_t$  means the sum of allowances directed by the Authority as a result of circumstances set out in paragraphs 3.2.11(a) to (c) and (d)(ii); and

$CROTRO_t$  has the value zero unless otherwise directed by the Authority in accordance with Part E.

### **Part B: Cyber resilience OT outputs**

3.2.6 The Cyber Resilience OT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.2.7 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience OT PCD Table.

### **Part C: Requirement to submit a Cyber Resilience OT Plan and Re-opener application**

3.2.8 The licensee must Between 1 April 2021 and 8 April 2021 submit to the Authority:

- a) a Cyber Resilience OT Plan; and
- b) an application for a direction by the Authority requesting such amendments to the Cyber Resilience OT PCD Table as it considers are warranted by its Cyber Resilience OT Plan.

3.2.9 A Cyber Resilience OT Plan submitted under paragraph 3.2.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes.

3.2.10 An application under paragraph 3.2.8(b) must be made in writing and:

- a) include statements:
  - i. setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience OT PCD Table;
  - ii. explaining how any amendments requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes ; and

- iii. explaining the basis of the calculations for any amendments requested to allowances; and
- b) provide such detailed supporting evidence as is reasonable in the circumstances.

#### **Part D: Cyber resilience OT Re-opener**

3.2.11 This Part establishes a Re-opener that may be used where there are:

- a) new activities, including new technology, capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
- b) changes to levels of risks or threats relating to cyber resilience in relation to OT, that take the licensee outside of its organisational risk appetite; or
- c) changes to statutory or regulatory requirements relating to cyber resilience in relation to OT; or
- d) errors to correct or refinements required to:
  - i. existing outputs, delivery dates or allowances set as part of RIIO-2 Final Determinations; or
  - ii. other existing outputs, delivery dates or allowances in order to improve the licensee's cyber resilience in relation to OT.

3.2.12 The licensee may only apply to the Authority for changes under this Re-opener Between 25 January 2023 and 31 January 2023, or during such other periods as the Authority may direct.

3.2.13 The Authority may instigate changes under this Re-opener at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.2.11

3.2.14 An application under paragraph 3.2.12 must be made in writing to the Authority and must:

- a) give details of the circumstances referred to in paragraph 3.2.11 that the licensee considers exist;
- b) set out any amendments requested to the outputs, delivery dates or allowances set out in the Cyber Resilience OT Baseline Allowances Table or the Cyber Resilience OT PCD Table;

- c) explain how any amendments requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
- d) explain the basis of the calculations for any amendments requested to allowances; and
- e) provide such detailed supporting evidence as is reasonable in the circumstances.

3.2.15 An application under paragraph 3.2.12 must:

- a) relate to circumstances of the type referred to in paragraph 3.2.11 that have developed since the licensee submitted its Cyber Resilience OT Plan under paragraph 3.2.8;
- b) take account of any allowed expenditure which can be avoided as a result of the change; and
- c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

3.2.16 The Authority may only make changes under this Re-opener by direction:

- (a) where a circumstance in paragraph 3.2.11 exists;
- (b) if an application was made by the licensee under paragraph 3.2.12, where the requirements in paragraphs 3.2.14 and 3.2.15 have been met;
- (c) if the relevant circumstance is that set out in paragraphs 3.2.11(a) or (b), where the addition of new outputs would improve the licensee's cyber resilience in relation to OT;
- (d) if the relevant circumstance is that set out in paragraph 3.2.11(c), where the addition of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience in relation to OT;
- (e) if the relevant circumstance is that set out in paragraph 3.2.11(d), where a change to an existing output is justified:
  - i. in order to correct an error; or
  - ii. because the licensee has demonstrated that the refinement would improve the licensee's cyber resilience in relation to OT; and
- (f) where there is sufficient detail to demonstrate that the proposed allowances are efficient and the change would improve the licensee's cyber resilience in relation to OT.

3.2.17 A direction under this Part

- (a) may adjust allowances in the Cyber Resilience OT Baseline Allowances Table as a result of circumstances set out in paragraph 3.2.11(d)(i);
- (b) may amend outputs, delivery dates and allowances in the Cyber Resilience OT PCD Table;
- (c) may modify the text in Appendices 1 and 2 to amend the date of publication of the documents containing the Cyber Resilience OT Baseline Allowances Table and the Cyber Resilience OT PCD Table;
- (d) will set out the value of the CROTRAt and CROTROt terms, where these are being adjusted; and
- (e) must be confined to costs incurred or expected to be incurred on or after 1 April 2021.

**Part E: Assessment of delivery under this condition (CROTRAt and CROTROt)**

3.2.18 The Authority will direct a value for CROTRAt and CROTROt where either of the following is appropriate:

- a) an adjustment in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements) , where the licensee has not Fully Delivered an output in the Cyber Resilience OT PCD Table; or
- b) a Use It Or Lose It Adjustment, which will be assessed after any assessment under sub-paragraph (a).

**Part F: Reporting Requirements**

3.2.19 The licensee must send reports to the Authority, in a form approved by the Authority, that include:

- a) a summary of progress against key milestones contained in the licensee's Improvement Plan;
- b) a summary of developments against the outputs in the Cyber Resilience OT PCD Table;
- c) the licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
- d) a description of how the licensee has considered any relevant guidance provided by the Authority;

- e) a summary of the current status of CAF Outcomes; and
- f) detailed supporting evidence as is reasonable in the circumstances.

3.2.20 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.2.19 by no later than the dates, and in relation to the periods, set out in Appendix 3.

**Part G: What process will the Authority follow in making a direction?**

3.2.21 Before making a direction under paragraph 3.2.8, 3.2.16, or 3.2.18 the Authority will send to the licensee:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.2.22 A direction under paragraph 3.2.18 will set out the value of the CROTR<sub>t</sub> and CROTRO<sub>t</sub> term and the Regulatory Years to which those adjustments relate, and where the direction is under paragraph 3.2.18(a) will set out:

- (a) the delivery status of the output that has not been Fully Delivered; and
- (b) the methodology and data that has been used to decide the delivery status and value of any adjustments to the CROTR<sub>t</sub> and CROTRO<sub>t</sub> terms.

**Appendix 1**

**Title and publication date of document containing the Cyber Resilience OT Baseline**

**Allowances Table**

<b>Title</b>	<b>Publication Date</b>
National Grid Gas Transmission (NGGT) Cyber Resilience Operational Technology Re-opener Decision	29 October 2021

**Appendix 2**

**Title and publication date of document containing the Cyber Resilience OT PCD Table**

<b>Title</b>	<b>Publication Date</b>
National Grid Gas Transmission (NGGT) Cyber Resilience Operational Technology Re-opener Decision	29 October 2021

**Appendix 3**

**Report submission dates and the associated periods to be reported on**

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**Dates each year by which reports must be submitted from 31 January 2022 to 31 July 2026**

**Associated periods to be reported on**

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31 July	1 October to 31 March
31 January	1 April to 30 September

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### **Special Condition 3.3. Cyber resilience information technology Re-opener and Price Control Deliverable (CRIT<sub>t</sub> and CRITRE<sub>t</sub>)**

#### **Introduction**

3.3.1 The purpose of this condition is to calculate the terms CRIT<sub>t</sub> (the cyber resilience IT baseline term) and CRITRE<sub>t</sub> (the cyber resilience IT non-baseline term) These contribute to the calculation of the Totex Allowance.

3.3.2 The effect of this condition is to:

- a) establish the Cyber Resilience IT Baseline Allowances Table;
- b) establish the Cyber Resilience IT PCD Table, which specifies the outputs, delivery dates and associated allowances for cyber resilience in relation to IT;
- c) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience IT PCD Table;
- d) require the licensee to submit a Cyber Resilience IT Plan at the start of the Price Control Period;
- e) establish Re-openers for the licensee and Authority to trigger amendments to the Cyber Resilience IT Baseline Allowances Table and the Cyber Resilience IT PCD Table during the Price Control Period;
- f) require the licensee to report regularly to the Authority on cyber resilience IT; and
- g) provide for an assessment of the Price Control Deliverable.

3.3.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.3.8, 3.3.16, or 3.3.18.

#### **Part A: Formulae for calculating the cyber resilience IT baseline term (CRIT<sub>t</sub>) and the cyber resilience IT non-baseline term (CRITRE<sub>t</sub>)**

3.3.4 The value of CRIT<sub>t</sub> is derived in accordance with the following formula:

$$CRIT_t = CRITA_t - CRITRA_t$$

where:

*CRITA<sub>t</sub>* means the allowances in the Cyber Resilience IT Baseline Allowances Table as amended as a result of circumstances set out in paragraph 3.3.11(d)(i); ; and

*CRITRA<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.3.5 The value of  $CRITRE_t$  is derived in accordance with the following formula:

$$CRITRE_t = CRITO_t - CRITRO_t$$

where:

$CRITO_t$  means the sum of allowances directed by the Authority as a result of circumstances set out in paragraphs 3.3.11(a) to (c) and (d)(ii); and

$CRITRO_t$  has the value zero unless otherwise directed by the Authority in accordance with Part E.

### **Part B: Cyber resilience IT outputs**

3.3.6 The Cyber Resilience IT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.3.7 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience IT PCD Table.

### **Part C: Requirement to submit a Cyber Resilience IT Plan and Re-opener application**

3.3.8 The licensee must Between 1 April 2021 and 8 April 2021 submit to the Authority:

- a) a Cyber Resilience IT Plan; and
- b) an application for a direction by the Authority requesting such amendments to the Cyber Resilience IT PCD Table as it considers are warranted by its Cyber Resilience IT Plan.

3.3.9 A Cyber Resilience IT Plan submitted under paragraph 3.3.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems.

3.3.10 An application under paragraph 3.3.8(b) must be made in writing and:

- a) include statements:
  - i. setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience IT PCD Table;
  - ii. explaining how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems; and
  - iii. explaining the basis of the calculations for any amendments requested to allowances; and

- b) provide such detailed supporting evidence as is reasonable in the circumstances.

#### **Part D: Cyber resilience IT Re-opener**

3.3.11 This Part establishes a Re-opener that may be used where there are:

- a) new activities, including new technology, capable of improving cyber resilience in relation to IT, including risk reduction in respect to the licensee's network and information systems;
- b) changes to levels of risks or threats relating to cyber resilience in relation to IT, that take the licensee outside of its organisational risk appetite;
- c) changes to statutory or regulatory requirements relating to cyber resilience in relation to IT; or
- d) errors to correct or refinements required to:
  - i. outputs, delivery dates or allowances set as part of RIIO-2 Final Determinations; or
  - ii. other existing outputs, delivery dates or allowances in order to improve the licensee's cyber resilience in relation to IT.

3.3.12 The licensee may only apply to the Authority for any changes under this Re-opener Between 25 January 2023 and 31 January 2023, or during such other periods as the Authority may direct.

3.3.13 The Authority may instigate changes under this Re-opener at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.3.11.

3.3.14 An application under paragraph 3.3.12 must be made in writing to the Authority and must:

- a) give details of the circumstances referred to in paragraph 3.3.11 that the licensee considers exist;
- b) set out any amendments requested to the outputs, delivery dates or allowances set out in the Cyber Resilience IT Baseline Allowances Table or the Cyber Resilience IT PCD Table;
- c) explain how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems;

- d) explain the basis of the calculations for any amendments requested to allowances; and
- e) include such detailed supporting evidence as is reasonable in the circumstances.

3.3.15 An application under paragraph 3.3.12 must:

- a) relate to circumstances of the type referred to in paragraph 3.3.11 that have developed since the licensee submitted its Cyber Resilience IT Plan under paragraph 3.3.8;
- b) take account of any allowed expenditure which can be avoided as a result of the change; and
- c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

3.3.16 The Authority may only make changes under this Re-opener by direction:

- (a) where a circumstance in paragraph 3.3.11 exists;
- (b) if an application was made by the licensee under paragraph 3.3.12, where the requirements in paragraphs 3.3.14 and 3.3.15 have been met;
- (c) if the relevant circumstance is that set out in paragraphs 3.3.11(a) or (b), where the addition of new outputs would improve the licensee's cyber resilience in relation to IT;
- (d) if the relevant circumstance is that set out in paragraph 3.3.11(c), where the addition of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience in relation to IT;
- (e) if the relevant circumstance is that set out in paragraph 3.3.11(d), where a change to an existing output is justified:
  - i. in order to correct an error; or
  - ii. because the licensee has demonstrated that the refinement would improve the licensee's cyber resilience in relation to IT; and
- (f) where there is sufficient detail to demonstrate that the proposed allowances are efficient and the change would improve the licensee's cyber resilience in relation to IT.

3.3.17 A direction under this Part;

- a) may adjust allowances in the Cyber Resilience IT Baseline Allowances Table as a result of circumstances set out in paragraph 3.3.11(d)(i):

- b) may amend outputs, delivery dates and allowances in the Cyber Resilience IT PCD Table;
- c) may modify the text in Appendices 1 and 2 to amend the date of publication of the documents containing the Cyber Resilience IT Baseline Allowances Table and the Cyber Resilience IT PCD Table;
- d) will set out the value of  $CRITRA_t$  and  $CRITRO_t$  terms, where these are being adjusted;
- e) must be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### **Part E: Assessment of the Price Control Deliverable ( $CRITRA_t$ and $CRITRO_t$ )**

3.3.18 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for  $CRITRA_t$  and  $CRITRO_t$  where the licensee has not Fully Delivered an output in the Cyber Resilience IT PCD Table.

### **Part F: Reporting Requirements**

3.3.19 The licensee must send reports to the Authority, in a form approved by the Authority, that include:

- a) a summary of progress against key milestones contained in the licensee's Improvement Plan;
- b) a summary of developments against the outputs in the Cyber Resilience IT PCD Table;
- c) the licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience in relation to IT, including risk reduction;
- d) a description of how the licensee has considered any relevant guidance provided by the Authority; and
- e) such detailed supporting evidence as is reasonable in the circumstances.

3.3.20 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.3.19 by no later than the dates, and in relation to the periods, set out in Appendix 3.

### **Part G: What process will the Authority follow in making a direction?**

3.3.21 Before making a direction under paragraph 3.3.8, 3.3.16, or 3.3.18, the Authority will send to the licensee:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.3.22 A direction under paragraph 3.3.18 will set out:

- a) the delivery status of the output that has not been Fully Delivered;
- b) the value of the CRITRA<sub>t</sub> and CRITRO<sub>t</sub> term and the Regulatory Years to which those adjustments relate; and
- c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the CRITRA<sub>t</sub> and CRITRO<sub>t</sub> terms.

**Appendix 1**  
**Title and publication date of document containing the Cyber Resilience IT Baseline Allowances Table**

Title	Publication Date
RIIO-2 Final Determinations – NG Group Information Technology Cyber Resilience (REVISED)	3 February 2021

**Appendix 2**  
**Title and publication date of document containing the Cyber Resilience IT PCD Table**

Title	Publication Date
RIIO-2 Final Determinations – NG Group Information Technology Cyber Resilience (REVISED)	3 February 2021

**Appendix 3**  
**Report submission dates and the associated periods to be reported on**

Dates each year by which reports must be submitted from 31 January 2022 to 31 July 2026	Associated periods to be reported on
31 July	1 October to 31 March
31 January	1 April to 30 September

### **Special Condition 3.4 Physical security Re-opener and Price Control Deliverable (PSUP<sub>t</sub> and PSUPRE<sub>t</sub>)**

#### **Introduction**

3.4.1 The purpose of this condition is to calculate the terms PSUP<sub>t</sub> (the physical security Price Control Deliverable term) and PSUPRE<sub>t</sub> (the physical security Re-opener term). These contribute to the calculation of the Totex Allowance.

3.4.2 The effect of this condition is to:

- a) establish the Physical Security PCD Table, which specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable;
- b) establish a Re-opener for the licensee and Authority to trigger amendments to the Physical Security PCD Table during the Price Control Period; and
- c) provide for an assessment of the Price Control Deliverable.

3.4.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.4.7, 3.4.11 or 3.4.12.

#### **Part A: Formulae for calculating the physical security Price Control Deliverable term (PSUP<sub>t</sub>) and the physical security Re-opener term (PSUPRE<sub>t</sub>)**

3.4.4 The value of PSUP<sub>t</sub> is derived in accordance with the following formula:

$$PSUP_t = PSUPA_t - PSUPRA_t$$

where:

*PSUPA<sub>t</sub>* means the sum of allowances in the Physical Security Baseline Allowances Table; and

*PSUPRA<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.4.5 The value of PSUPRE<sub>t</sub> is derived in accordance with the following formula:

$$PSUPRE_t = PSUPO_t - PSUPRO_t$$

where:

*PSUPO<sub>t</sub>* means the sum of allowances directed by the Authority as a result of Re-openers established by Parts C and D; and

*PSUPRO<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part E.

**Part B: What is the licensee funded to deliver?**

3.4.6 The Physical Security PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

**Part C: Physical Security Re-opener**

3.4.7 The licensee may apply to the Authority for a direction amending the Physical Security PCD Table where the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme has changed.

3.4.8 The licensee may only apply to the Authority under paragraph 3.4.7 Between 25 January and 31 January in year 2024, or during such later periods as the Authority may direct.

3.4.9 An application under paragraph 3.4.7 must be made in writing to the Authority and include statements:

- a) setting out the changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme to which the application relates;
- b) setting out the Critical National Infrastructure classification for each site to which the application relates;
- c) setting out any amendments to the outputs, delivery dates or allowances in the Physical Security PCD Table;
- d) explaining the basis of the calculations for any amendments requested to allowances; and
- e) providing such detailed supporting evidence as is reasonable in the circumstances.

3.4.10 An application under paragraph 3.4.7 must:

- a) relate to changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme on or after 9 December 2019;
- b) take account of any allowed expenditure, which can be avoided as a result of the change; and
- c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

**Part D: Authority triggered Re-opener**

3.4.11 The Authority will also consider directing amendments to the outputs, delivery dates or allowances in the Physical Security PCD Table where there have been changes to the

scope of work the licensee is required to carry out under the Physical Security Upgrade Programme that:

- a) have been mandated on or after 9 December 2019; and
- b) relate to costs incurred or expected to be incurred on or after 1 April 2021.

**Part E: Assessment of the physical security Price Control Deliverable (PSUPRA<sub>t</sub> and PSUPRO<sub>t</sub>)**

3.4.12 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for PSUPRA<sub>t</sub> and PSUPRO<sub>t</sub> where the licensee has not Fully Delivered an output in Appendix 2.

**Part F: What process will the Authority follow in making a direction?**

3.4.13 Before making a direction under paragraph 3.4.7, 3.4.11 or 3.4.12, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.4.14 A direction under paragraph 3.4.7 or 3.4.11 will:

- a) set out in full the Physical Security PCD Table as amended; and
- b) replace the text in Appendix 2 with the title and publication date of the direction.

3.4.15 A direction under paragraph 3.4.12 will set out:

- a) the delivery status of the output that has not been Fully Delivered;
- b) the value of the PSUPRA<sub>t</sub> and PSUPRO<sub>t</sub> terms and the Regulatory Years to which those adjustments relate; and
- c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the PSUPRA<sub>t</sub> and PSUPRO<sub>t</sub> terms.

**Appendix 1**

**Title and publication date of document containing the Physical Security Baseline Allowances Table**

<b>Title</b>	<b>Publication Date</b>
NGGT Redacted Information Document	3 February 2021

**Appendix 2**

**Title and publication date of document containing the Physical Security PCD Table**

<b>Title</b>	<b>Publication Date</b>
NGGT Redacted Information Document	3rd February 2021

### **Special Condition 3.5 Net Zero And Re-opener Development Fund use it or lose it allowance (RDF<sub>t</sub>)**

#### **Introduction**

- 3.5.1 The purpose of this condition is to calculate the term RDF<sub>t</sub> (the Net Zero And Re-opener Development Fund term). This contributes to the calculation of the Totex Allowance.
- 3.5.2 The effect of this condition is to:
- a) specify the allowance for the Net Zero And Re-opener Development Fund;
  - b) require the licensee to comply with the Net Zero And Re-opener Development Fund Governance Document; and
  - c) provide for a Use It Or Lose It Adjustment.
- 3.5.3 This condition also explains the process the Authority will follow when issuing or amending the Net Zero and Re-opener Development Fund Governance Document.

#### **Part A: Formula for calculating the Net Zero And Re-opener Development Fund term (RDF<sub>t</sub>)**

- 3.5.4 The value of RDF<sub>t</sub> is derived in accordance with the following formula:

$$RDF_t = RDFA_t - RDFR_t$$

where:

*RDFA<sub>t</sub>* means the allowances in Appendix 1; and

*RDFR<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part D.

#### **Part B: Net Zero and Re-opener Development Fund Governance Document**

- 3.5.5 The licensee must comply with the Net Zero and Re-opener Development Fund Governance Document when incurring expenditure in relation to the allowance provided by this licence condition.
- 3.5.6 The Authority will issue and amend the Net Zero and Re-opener Development Fund Governance Document by direction.
- 3.5.7 The Authority will publish the Net Zero and Re-opener Development Fund Governance Document on the Authority's Website.
- 3.5.8 The Net Zero and Re-opener Development Fund Governance Document will make provision about the governance and administration of the Net Zero And Re-opener Development Fund, including:

- a) the definition of “allowable RDF expenditure” and “unrecoverable RDF expenditure”;
- b) the eligibility criteria, which expenditure incurred in relation to the allowance provided by this licence condition must meet; and
- c) the reporting obligations in respect of which expenditure incurred in relation to Net Zero And Re-opener Development Fund must meet.

3.5.9 Before directing that the Net Zero and Re-opener Development Fund Governance Document comes into effect, the Authority will publish on the Authority’s Website:

- a) the text of the proposed Net Zero and Re-opener Development Fund Governance Document;
- b) the date on which the Authority intends the Net Zero and Re-opener Development Fund Governance Document to come into effect; and
- c) a period during which representations may be made on the content of the Net Zero and Re-opener Development Fund Governance Document, which will not be less than 28 days.

3.5.10 Before directing an amendment to the Net Zero and Re-opener Development Fund Governance Document, the Authority will publish on the Authority’s Website:

- a) the text of the amended Net Zero and Re-opener Development Fund Governance Document;
- b) the date on which the Authority intends the amended Net Zero and Re-opener Development Fund Governance Document to come into effect;
- c) the reasons for the amendments to the Net Zero and Re-opener Development Fund Governance Document; and
- d) a period during which representations may be made on the amendments to the Net Zero and Re-opener Development Fund Governance Document, which will not be less than 28 days.

**Part C: Use It Or Lose It Adjustment**

3.5.11 The Authority will direct an amendment to the value of  $RDFR_t$  where it considers that a Use It Or Lose It Adjustment is appropriate.

**Part D: Authority's direction process**

3.5.12 Before making a direction under paragraph 3.5.11, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;

- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.5.13 The direction will set out the value of the RDFR<sub>t</sub> term and the Regulatory Years to which that adjustment relates.

### Appendix 1

#### **Net Zero And Re-opener Development Fund allowance (RDFA<sub>t</sub>) by Regulatory Year (£m)**

<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/2026</b>	<b>Total</b>
1.66	1.66	1.66	1.66	1.66	8.3

## **Special Condition 3.6 Net zero Re-opener and Price Control Deliverable (NZ<sub>t</sub>)**

### **Introduction**

3.6.1 The purpose of this condition is to calculate the term NZ<sub>t</sub> (the net zero Re-opener term). This contributes to the calculation of the Totex Allowance.

3.6.2 The effect of this condition is to:

- a) specify any Price Control Deliverable relating to Net Zero Developments;
- b) establish a Re-opener for the Authority to trigger modifications to any such Price Control Deliverable and the outputs, delivery dates and allowances established by the special conditions of this licence; and
- c) provide for an assessment of the Price Control Deliverable specified in this condition..

3.6.3 This condition also explains the process the Authority will follow when making any changes under this condition.

### **Part A: Formula for calculating the net zero Re-opener term (NZ<sub>t</sub>)**

3.6.4 The value of NZ<sub>t</sub> is derived in accordance with the following formula:

$$NZ_t = NZO_t - NZRO_t$$

where:

NZO<sub>t</sub> means the sum of allowances in Appendix 1; and

NZRO<sub>t</sub> has the value zero unless otherwise directed by the Authority in accordance with Part D.

### **Part B: What is the licensee funded to deliver?**

3.6.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and allowances associated with those outputs.

### **Part C: Net Zero Re-opener?**

3.6.6 This Re-opener may be used where:

- a) a Net Zero Development has occurred or is expected to occur;
- b) the Net Zero Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
- c) the effect of the Net Zero Development on the cost of Licensed Activity is not otherwise provided for in this licence;

- d) the effect of the Net Zero Development has not already been assessed under another Re-opener; and
- e) the effect, or estimated effect, of the Net Zero Development on the cost of Licensed Activity exceeds the Materiality Threshold.

3.6.7 The Authority may make modifications under this Re-opener at any time during the Price Control Period.

3.6.8 The following modifications to the licence may be made under this Re-opener:

- a) modifications to the outputs, delivery dates and allowances in Appendix 1; and
- b) modifications to the outputs, delivery dates and allowances in the other special conditions of this licence.

3.6.9 Any modifications made under this Re-opener will be made under section 23 of the Act.

**Part D: Adjustments to Re-opener allowances Assessment of the Proce Control Deliverable (NZRO<sub>t</sub>)**

3.6.10 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for NZRO<sub>t</sub> where the licensee has not Fully Delivered an output in Appendix 1.

**Part E: What process will the Authority follow in making a direction?**

3.6.11 Before making a direction under paragraph 3.6.10 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.6.12 A direction under paragraph 3.6.10 will set out

- a) the delivery status of the output that has not been Fully Delivered;
- b) the value of the NZRO<sub>t</sub> term and the Regulatory Years to which that value relates; and
- c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the NZRO<sub>t</sub> term.

## Appendix 1

### Adjustments to Re-opener allowances Net Zero Price Control Deliverable (£m)

Regulatory Year		2021/22	2022/23	2023/24	2024/25	2025/26	Total
Output	Delivery date						
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

## **Special Condition 3.7 Non-operational IT Capex Re-opener and Price Control Deliverable (NOITRE<sub>t</sub>)**

### **Introduction**

3.7.1 The purpose of this condition is to calculate the term NOITRE<sub>t</sub> (the Non-operational IT Capex Re-opener term). This contributes to the calculation of the Totex Allowance.

3.7.2 The effect of this condition is to:

- a) specify the outputs, delivery dates and associated allowances for any Price Control Deliverable relating to Non-operational IT Capex;
- b) establish a Re-opener triggered by either the licensee or the Authority for Non-operational IT Capex; and
- c) provide for an assessment of the Price Control Deliverables.

3.7.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### **Part A: Formula for calculating the Non-operational IT Capex Re-opener term (NOITRE<sub>t</sub>)**

3.7.4 The value of NOITRE<sub>t</sub> is derived in accordance with the following formula:

$$\underline{NOITRE}_t = \underline{NOITO}_t - \underline{NOITRO}_t$$

where:

NOITO<sub>t</sub> means the allowances in Appendix 1; and

NOITRO<sub>t</sub> has the value zero unless otherwise directed by the Authority in accordance with Part D.

### **Part B: What is the licensee funded to deliver?**

3.7.5 Appendix 1 specifies the total allowances provided for work relating to Non-operational IT Capex and Appendix 2 specifies the Price Control Deliverables that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### **Part C: Non-operational IT Capex Re-opener**

3.7.6 The licensee may only apply to the Authority for a direction amending Appendices 1 and 2 as a result of:

- a) the licensee identifying further evidence in support of Non-operational IT Capex projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;

- b) the licensee identifying activities capable of improving the efficiency or performance of its Non-operational IT Capex; or
- c) any changes to statutory or regulatory requirements relating to Non-operational IT Capex.

3.7.7 The licensee may only apply to the Authority for changes under this Re-opener:

- a) Between 1 April 2021 and 8 April 2021;
- b) Between 25 January 2023 and 31 January 2023; and
- c) during such other periods as the Authority may direct.

3.7.8 An application under paragraph 3.7.6 must be made in writing to the Authority and:

- a) give details of the circumstances referred to in paragraph 3.7.6 that the licensee considers exist;
- b) explain how the adjustment requested would improve its Non-operational IT Capex;
- c) explain the basis of the calculations for the adjustment requested to allowances;
- d) give details of anticipated business benefits derived from any risk reduction as a result of the proposed activities; and
- e) provide such detailed supporting evidence as is reasonable in the circumstances, which must include:
  - i. delivery plans;
  - ii. a prioritisation programme;
  - iii. a market and industry cost comparison; and
  - iv. anticipated business benefits derived as a result of the proposed activities.

3.7.9 An application under paragraph 3.7.6 must:

- a) take account of any allowed expenditure, which can be avoided as a result of the adjustment; and
- b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

3.7.10 The Authority will also consider amending Appendices 1 and 2 without an application being made under paragraph 3.7.6 where it considers that:

- a) circumstances of the type referred to in paragraph 3.7.6 exist; and
- b) costs were incurred or will be incurred on or after 1 April 2021.

**Part D: Assessment of the Price Control Deliverable (NOITROt)**

3.7.11 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for NOITROt where the licensee has not Fully Delivered an output in Appendix 2.

**Part E: What process will the Authority follow in making a direction?**

3.7.12 Before making a direction under paragraph 3.7.6, 3.7.10 or 3.7.11, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.7.13 A direction under paragraph 3.7.6 or 3.7.10 will set out any amendments to Appendices 1 and 2.

3.7.14 A direction under paragraph 3.7.11 will set out

- a) the delivery status of the output that has not been Fully Delivered;
- b) the value of the NOITROt term and the Regulatory Years to which that value relates; and
- c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the NOITROt term.

**Appendix 1****Non-operational IT Capex Re-opener allowance (£m)**

	2022	2023	2024	2025	2026	Total
<b>Re-opener Allowance</b>	0	0	0	0	0	0

**Appendix 2****Non Operational IT Capex Price Control Deliverable (£m)**

<b><u>Regulatory Year</u></b>								
<u>NOITRE project</u>	<u>Output</u>	<u>Delivery date</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Total</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## **Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAM<sub>t</sub>)**

### **Introduction**

- 3.8.1 The purpose of this condition is to calculate the term CAM<sub>t</sub> (the coordinated adjustment mechanism term). This contributes to the calculation of the Totex Allowance.
- 3.8.2 The effect of this condition is to establish a Re-opener triggered by the licensee where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.
- 3.8.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### **Part A: What is the scope of this Re-opener?**

- 3.8.4 The licensee may apply to the Authority for a direction adjusting the value of the CAM<sub>t</sub> term and the outputs, delivery dates and allowances within the special conditions relating to the CAM Activity for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

### **Part B: When to make an application**

- 3.8.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.8.4 Between 23 May and 29 May in each of the years 2021, 2022, 2023, 2024, 2025, or during such other periods as the Authority may direct.

### **Part C: How to make an application**

- 3.8.6 An application under paragraph 3.8.4 must be made in writing to the Authority and:
- a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
  - b) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;
  - c) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value and why the reallocation does deliver greater overall consumer value;
  - d) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;

- e) set out any amendments requested to the outputs, delivery dates or allowances established by the special conditions of this licence and that of the Partner Licensee, relating to the CAM Activity;
- f) set out the adjustments to the value of the  $CAM_t$  term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which that adjustment relates;
- g) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's  $CAM_t$  terms or other allowances of the licensee and the Partner Licensee;
- h) provide such detailed supporting evidence, including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and
- i) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.

3.8.7 An application under paragraph 3.8.4 must:

- a) take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
- b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

#### **Part D: What process will the Authority follow in making a direction?**

3.8.8 Before making a direction under paragraph 3.8.4 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.8.9 The direction will set out:

- a) any adjustments to the PCFM Variable Values of this licence and that of the Partner Licensee;
- b) the Regulatory Years to which those adjustments relate; and
- c) any amendments to the outputs and delivery dates established by the special conditions of this licence and that of the Partner Licensee.

## **Special Condition 3.9 Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZP<sub>t</sub>)**

### **Introduction**

- 3.9.1 The purpose of this condition is to calculate the term NZP<sub>t</sub> (the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.9.2 The effect of this condition is to:
- a) establish a Re-opener for the Authority to trigger amendments to the value of the NZP<sub>t</sub>; and
  - b) require the licensee to comply with the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document.
- 3.9.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### **Part A: What is the scope of this Re-opener?**

- 3.9.4 The Authority will consider directing an adjustment to the value of the NZP<sub>t</sub> term where in its view:
- a) there is Net Zero Pre-construction Work or Small Net Zero Projects needed that will enable the achievement of Net Zero Carbon Targets;
  - b) the Net Zero Pre-construction Work or Small Net Zero Project has caused or is expected to cause the cost of Licensed Activity to increase during the Price Control Period; and
  - c) the effect, or estimated effect, of the Net Zero Pre-construction Work or Small Net Zero Project on the cost of Licensed Activity exceeds the materiality threshold of £1m.

### **Part B: Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document**

- 3.9.5 The licensee must comply with the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document in relation to any Net Zero Pre-construction Work and Small Net Zero Projects funded by this Re-opener.
- 3.9.6 The Authority will issue and amend the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document by direction.

3.9.7 The Authority will publish the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document on the Authority's Website.

3.9.8 Before issuing the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document by direction, the Authority will publish on the Authority's Website:

- a) the text of the proposed Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document;
- b) the date on which the Authority intends the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document to come into effect; and
- c) a period during which representations may be made on the content of the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document, which will not be less than 28 days.

3.9.9 Before amending the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document;
- b) the date on which the Authority intends the amended Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document to come into effect;
- c) the reasons for the amendments to the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document; and
- d) a period during which representations may be made on the amendments to the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document, which will not be less than 28 days.

### **Part C: What process will the Authority follow in making a direction?**

3.9.10 Before making a direction under paragraph 3.9.4 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction.

3.9.11 The direction will set out:

- a) any adjustment to the value of the  $NZP_t$  term and the Regulatory Years to which that adjustment relates; and
- b) Any conditions that have to be met by the licensee.

3.9.12 If the licensee fails to comply with a condition imposed under paragraph 3.9.11(b), the Authority will make any reduction to the  $NZP_t$  term under section 23 of the Act.

## **Special Condition 3.10 Bacton terminal site redevelopment Re-opener and Price Control Deliverable (BTR<sub>t</sub> and BTRE<sub>t</sub>)**

### **Introduction**

3.10.1 The purpose of this condition is to calculate the terms BTR<sub>t</sub> (the Bacton terminal redevelopment Price Control Deliverable term) and BTRE<sub>t</sub> (the Bacton terminal redevelopment Re-opener term). These contribute to the calculation of the Totex Allowance.

3.10.2 The effect of this condition is to:

- a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
- b) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and
- c) provide for an assessment of the Price Control Deliverable.

3.10.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.10.11 or 3.10.15.

### **Part A: Formulae for calculating the Bacton terminal redevelopment Price Control Deliverable term (BTR<sub>t</sub>) and the Bacton terminal redevelopment Re-opener term (BTRE<sub>t</sub>)**

3.10.4 The value of BTR<sub>t</sub> is derived in accordance with the following formula:

$$BTR_t = BTRA_t - BTRRA_t$$

where:

*BTRA<sub>t</sub>* means the baseline allowances in Appendix 1; and

*BTRRA<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.10.5 The value of BTRE<sub>t</sub> is derived in accordance with the following formula:

$$BTRE_t = BTRO_t - BTRRO_t$$

where:

*BTRO<sub>t</sub>* means the sum of allowances directed by the Authority as a result of the Re-opener established by Part D; and

*BTRRO<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part E.

**Part B: What is the licensee funded to deliver?**

3.10.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

**Part C: Final Option Selection Report**

3.10.7 Where specified within Appendix 2, the licensee must submit a Final Option Selection Report to the Authority to review and approve the Final Preferred Option.

3.10.8 The Final Option Selection Report must:

- a) be submitted in writing;
- b) be submitted by the delivery date specified in Appendix 2, or such other date directed by the Authority;
- c) include a proposed Final Preferred Option; and
- d) include such detailed supporting evidence including cost benefit analysis, impact assessments, and engineering justification statements, as is reasonable in the circumstances.

3.10.9 The Authority will:

- a) approve the proposed Final Preferred Option;
- b) reject the proposed Final Preferred Option on the basis that the Authority considers no further work should go ahead at this time;
- c) reject the proposed Final Preferred Option and approve one of the other options in the Final Option Selection Report; or
- d) reject the proposed Final Preferred Option and set out additional information that should be provided to identify the best option before a resubmission of the Final Option Selection Report.

3.10.10 Before reaching a decision under paragraph 3.10.9, the Authority will publish on the Authority's Website:

- a) its proposed decision;
- b) the reasons for its proposed decision; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

**Part D: Bacton terminal redevelopment Re-opener**

3.10.11 The licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 2 between 1<sup>st</sup> May 2025 to 31<sup>st</sup> August 2025 or during such other periods as the Authority directs.

3.10.12 An application under paragraph 3.10.11 must be made in writing to the Authority and include:

- a) the actual costs incurred to date in delivering the outputs in Appendix 2;
- b) the amendments requested to the outputs, delivery dates or allowances in Appendix 2;
- c) the reasons for any amendments requested to Appendix 2;
- d) the basis of the calculations for any amendments requested to allowances in Appendix 2; and
- e) such detailed supporting evidence including improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.10.13 An application under paragraph 3.10.11 must also include:

- a) details of any fully tendered costs for the approved Final Preferred Option;
- b) a Front End Engineering Design for the approved Final Preferred Option; and
- c) a full breakdown of development and equipment costs incurred to date for the project.

3.10.14 An application under paragraph 3.10.11 must:

- a) take account of any allowed expenditure which can be avoided as a result of the amendments requested; and
- b) relate to costs incurred or expected to be incurred on or after 1 April 2021.

**Part E: Assessment of Price Control Deliverable (BTRRA<sub>t</sub> and BTRRO<sub>t</sub>)**

3.10.15 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for BTRRA<sub>t</sub> and BTRRO<sub>t</sub> where the licensee has not Fully Delivered an output in Appendix 2.

**Part F: What process will the Authority follow in making a direction?**

3.10.16 Before making a direction under paragraph 3.10.11 or 3.10.15 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.10.17 A direction under paragraph 3.10.11 will set out any amendments to Appendix 2.

3.10.18 A direction under paragraph 3.10.15 will set out:

- a) the delivery status of the output that has not been Fully Delivered;
- b) the value of the  $BTRRA_t$  and  $BTRRO_t$  terms and the Regulatory Years to which those adjustments relate; and
- c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the  $BTRRA_t$  and  $BTRRO_t$  terms.

### Appendix 1

#### Bacton terminal site redevelopment baseline allowances ( $BTRA_t$ ) by Regulatory Year

Allowance (£m)					Total Allowance (All years)
21/22	22/23	23/24	24/25	25/26	
7.13	3.37	0.00	0.00	0.00	£10.50m

### Appendix 2

#### Bacton terminal site redevelopment Price Control Deliverable

Site	Output	Delivery date	Re-opener application window	Total allowance (all years) (£m)
Bacton	Final Option Selection Report	28/02/2024	01/05/2025- 31/08/2025	10.50

### **Special Condition 3.11 Compressor emissions Re-opener and Price Control Deliverable (CEP<sub>t</sub> and CEPRE<sub>t</sub>)**

#### **Introduction**

3.11.1 The purpose of this condition is to calculate the terms CEP<sub>t</sub> (the compressor emissions Price Control Deliverable term) and CEPRE<sub>t</sub> (the compressor emissions Re-opener term). These contribute to the calculation of the Totex Allowance.

3.11.2 The effect of this condition is to:

- a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
- b) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and
- c) provide for an assessment of the Price Control Deliverable.

3.11.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.11.11 or 3.11.15.

#### **Part A: Formulae for calculating the compressor emissions Price Control Deliverable term (CEP<sub>t</sub>) and the compressor emissions Re-opener term (CEPRE<sub>t</sub>)**

3.11.4 The value of CEP<sub>t</sub> is derived in accordance with the following formula:

$$CEP_t = CEPA_t - CEPRA_t$$

where:

*CEPA<sub>t</sub>* means the sum of baseline allowances in Appendix 1; and

*CEPRA<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part F.

3.11.5 The value of CEPRE<sub>t</sub> is derived in accordance with the following formula:

$$CEPRE_t = CEPO_t - CEPRO_t$$

where:

*CEPO<sub>t</sub>* means the allowances directed by the Authority as a result of the Re-opener established by Part E; and

*CEPRO<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part F.

**Part B: What is the licensee funded to deliver?**

3.11.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

**Part C: Final Option Selection Report**

3.11.7 Where specified in Appendix 2, the licensee must submit a Final Option Selection Report to the Authority to review and approve the Final Preferred Option.

3.11.8 The Final Option Selection Report must:

- a) be submitted in writing;
- b) be submitted by the delivery date specified in Appendix 2, or such other date directed by the Authority;
- c) include a proposed Final Preferred Option; and
- d) include such detailed supporting evidence including cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.11.9 The Authority will:

- a) approve the proposed Final Preferred Option;
- b) reject the proposed Final Preferred Option on the basis that the Authority considers no further work should go ahead at this time;
- c) reject the proposed Final Preferred Option and approve one of the other options in the Final Option Selection Report; or
- d) reject the proposed Final Preferred Option and set out additional information that should be provided to identify the best option before a resubmission of the Final Option Selection Report.

3.11.10 Before reaching a decision under paragraph 3.11.9, the Authority will publish on the Authority's Website:

- a) its proposed decision;
- b) the reasons for its proposed decision; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## **Part D: Compressor Emissions Re-opener**

3.11.11 The licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 1 between 1 August 2022 and 5 August 2022 or during such other periods as the Authority directs.

3.11.12 An application under paragraph 3.11.11 must be made in writing to the Authority and include:

- a) the actual costs incurred to date;
- b) the amendments requested to the outputs, delivery dates or allowances in Appendix 2;
- c) the reasons for any amendments requested to Appendix 2;
- d) the basis of the costs and calculations for any amendments requested to allowances in Appendix 2; and
- e) such detailed supporting evidence including improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.11.13 An application under paragraph 3.11.11 must also include:

- a) details of any fully tendered costs for the approved Final Preferred Option;
- b) a Front End Engineering Design for the approved Final Preferred Option; and
- c) a full breakdown of development and equipment costs incurred to date for the project.

3.11.14 An application under paragraph 3.11.11 must:

- a) take account of any allowed expenditure, which can be avoided as a result of the amendments requested; and
- b) relate to costs incurred or expected to be incurred on or after 1 April 2021.

## **Part E: Assessment of Price Control Deliverable (CEPRA<sub>t</sub> and CEPRO<sub>t</sub>)**

3.11.15 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for CEPRA<sub>t</sub> and CEPRO<sub>t</sub> where the licensee has not Fully Delivered an output in Appendix 2.

## **Part F: What process will the Authority follow in making a direction?**

3.11.16 Before making a direction under paragraph 3.11.11 or 3.11.15 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.11.17 A direction under paragraph 3.11.11 will set out any amendments to Appendix 2.

3.11.18 A direction under paragraph 3.11.15 will set out:

- a) the delivery status of the output that has not been Fully Delivered;
- b) the value of the  $CEPRA_t$  and  $CEPRO_t$  terms and the Regulatory Years to which those adjustments relate; and
- c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the  $CEPRA_t$  and  $CEPRO_t$  terms.

### Appendix 1

#### Compressor emissions baseline allowances ( $CEPA_t$ ) by Regulatory Year

Allowance (£m)					Total Allowance (All years)
21/22	22/23	23/24	24/25	25/26	
8.382	34.51	59.50	20.48	1.01	£123.88

### Appendix 2

#### Compressor emissions Price Control Deliverable

Site	Output	Delivery date	Re-opener application window	Total allowance (all years) (£m)
Hatton	Emissions compliant compressor procured for 41MW mechanical output power	03/2025	N/A	65.40
Wormington	Final Option Selection Report	08/2022	11/2024	14.38
King's Lynn	Final Option Selection Report	01/2023	04/2025	14.38

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St Fergus	Final Option Selection Report	01/2023	06/2025	20.08
Peterborough and Huntingdon	Final Option Selection Report	01/2023	06/2025	9.65

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### **Special Condition 3.12 King's Lynn subsidence Re-opener and Price Control Deliverable (KLS<sub>t</sub> and KLSRE<sub>t</sub>)**

#### **Introduction**

3.12.1 The purpose of this condition is to calculate the terms KLS<sub>t</sub> (the King's Lynn subsidence Price Control Deliverable term) and KLSRE<sub>t</sub> (the King's Lynn subsidence Re-opener term). These contribute to the calculation of the Totex Allowance.

3.12.2 The effect of this condition is to:

- a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
- b) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and
- c) provide for an assessment of the Price Control Deliverable.

3.12.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.12.7 or 3.12.11.

#### **Part A: Formulae for calculating the King's Lynn subsidence Price Control Deliverable term (KLS<sub>t</sub>) and the King's Lynn subsidence Re-opener term (KLSRE<sub>t</sub>)**

3.12.4 The value of KLS<sub>t</sub> is derived in accordance with the following formula:

$$KLS_t = KLSA_t - KLSRA_t$$

where:

*KLSA<sub>t</sub>* means the baseline allowances in Appendix 1; and

*KLSRA<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part D.

3.12.5 The value of KLSRE<sub>t</sub> is derived in accordance with the following formula:

$$KLSRE_t = KLSO_t - KLSRO_t$$

where:

*KLSO<sub>t</sub>* means the sum of allowances directed by the Authority as a result of the Re-opener established by Part C; and

*KLSRO<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part D.

**Part B: What is the licensee funded to deliver?**

3.12.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

**Part C: King's Lynn subsidence Re-opener**

3.12.7 The licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 1 Between 25 March 2022 and 31 March 2022 or such other periods as the Authority may direct.

3.12.8 Before making an application under paragraph 3.12.7, the licensee must complete a Front End Engineering Design for remedial works to address subsidence at King's Lynn compressor station.

3.12.9 An application under paragraph 3.12.7 must be made in writing to the Authority and:

- a) set out the amendments requested to the outputs, delivery dates or allowances in Appendix 2;
- b) give the reasons for any amendments requested to Appendix 2;
- c) explain the basis of the calculations for any amendments requested to allowances in Appendix 2; and
- d) include such detailed supporting evidence including options assessment, improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.12.10 An application under paragraph 3.12.7 must:

- a) take account of any allowed expenditure, which can be avoided as a result of the amendments requested; and
- b) relate to costs incurred or expected to be incurred on or after 1 April 2021.

**Part D: Assessment of Price Control Deliverable (KLSRA<sub>t</sub> and KLSRO<sub>t</sub>)**

3.12.11 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for KLSRA<sub>t</sub> and KLSRO<sub>t</sub> where the licensee has not Fully Delivered an output in Appendix 2.

**Part E: What process will the Authority follow in making a direction?**

3.12.12 Before making a direction under paragraph 3.12.7 or 3.12.11 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;

- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.12.13 A direction under paragraph 3.12.7 will set out any amendments to Appendix 2.

3.12.14 A direction under paragraph 3.12.11 will set out:

- a) the delivery status of the output that has not been Fully Delivered;
- b) the value of the  $KLSRA_t$  and  $KLSRO_t$  terms and the Regulatory Years to which those adjustments relate
- c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the  $KLSRA_t$  and  $KLSRO_t$  terms.

### Appendix 1

#### King's Lynn subsidence baseline allowances (KLSA<sub>t</sub>) by Regulatory year

Allowance (£m)					Total Allowance (All years)
21/22	22/23	23/24	24/25	25/26	
1.16	0.00	0.00	0.00	0.00	£1.16m

### Appendix 2

#### King's Lynn subsidence Price Control Deliverable

Project	Output	Delivery Date	Re-opener application window	Total Allowance (all years) (£m)
King's Lynn subsidence	Delivery of Re-opener submission	31/03/2022	25/03/2022 - 31/03/2022	1.16

### **Special Condition 3.13 Funded incremental obligated capacity Re-opener and Price Control Deliverable (FIOC<sub>t</sub> and FIOCRE<sub>t</sub>)**

#### **Introduction**

3.13.1 The purpose of this condition is to calculate the terms FIOC<sub>t</sub> (the funded incremental obligated capacity Price Control Deliverable term) and FIOCRE<sub>t</sub> (the funded incremental obligated capacity Re-opener term). These contribute to the Totex Allowance.

3.13.2 The effect of this condition is to:

- a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
- b) establish a Re-opener for the licensee to apply for an adjustment to its allowed expenditure required to release Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that cannot be released by Entry Capacity Substitution or Exit Capacity Substitution;
- c) provide for Cost And Output Adjusting Events;
- d) provide for an assessment of the Price Control Deliverable; and
- e) establish the FIOC Guidance and Submissions Requirements Document.

3.13.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.13.8, 3.13.11, 3.13.14 or 3.13.15.

#### **Part A: Formula for calculating the funded incremental obligated capacity Price Control Deliverable term (FIOC<sub>t</sub>) and funded incremental obligated capacity Re-opener term (FIOCRE<sub>t</sub>)**

3.13.4 The value of FIOC<sub>t</sub> is derived in accordance with the following formula:

$$FIOC_t = FIOCA_t - FIOCRA_t$$

where:

*FIOCA<sub>t</sub>* means the baseline allowances in Appendix 1; and

*FIOCRA<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.13.5 The value of FIOCRE<sub>t</sub> is derived in accordance with the following formula:

$$FIOCRE_t = FIOCO_t - FIOCRO_t$$

where:

$FIOCO_t$  means the sum of allowances directed by the Authority in accordance with Parts C and D; and

$FIOCRO_t$  has the value zero unless otherwise directed by the Authority in accordance with Part E.

### **Part B: Outputs and obligation to release capacity**

3.13.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.13.7 The licensee must release the capacity associated with the outputs in Appendix 2 in accordance with the terms of the relevant FIOC Project Direction.

### **Part C: Funded incremental obligated capacity Re-opener**

3.13.8 The licensee may apply to the Authority for a FIOC Project Direction specifying an output, delivery date and associated allowances in Appendix 2 to allow the licensee to release Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that cannot be provided by Entry Capacity Substitution or Exit Capacity Substitution.

3.13.9 The licensee may only make an application under paragraph 3.13.8:

- a) once it has obtained the Authority's approval of the need for the proposed output to which the application relates; and
- b) once it has secured any material planning consents in relation to the proposed output, unless the Authority otherwise directs.

3.13.10 The licensee may only seek approval under paragraph 3.13.9(a) after the end of the period of twelve months beginning with the date of the provision of the relevant notice to the Authority under Part B of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution), or such other date as the Authority may direct.

### **Part D: Cost And Output Adjusting Events**

3.13.11 The licensee may apply to the Authority for a direction adjusting the outputs, delivery dates and associated allowances in Appendix 2 where there has been a Cost And Output Adjusting Event if:

- a) the licensee could not have reasonably foreseen the event;
- b) the licensee could not have economically and efficiently planned a contingency for the event;
- c) the event has caused expenditure to increase or decrease by at least 20% relative to the relevant allowance in Appendix 2 or such other percentage as the

Authority may direct (calculated before the application of the Totex Incentive Strength); and

- d) the increase or decrease in expenditure is expected to be efficiently incurred or saved.

3.13.12 The licensee must make the application:

- a) as soon as is reasonably practicable after the Cost And Output Adjusting Event has occurred; and
- b) in any event, within the period of three months beginning with the end of the Regulatory Year in which the Cost And Output Adjusting Event occurred but the Authority may by direction permit a later application.

3.13.13 An application under paragraph 3.13.11 must be made in writing and must include:

- a) detailed supporting evidence that a Cost And Output Adjusting Event which meets the requirements set out in paragraph 3.13.11 has occurred;
- b) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2;
- c) the basis of the calculation for any amendments requested to allowances, which must be designed, so far as is reasonably practicable, to keep the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred; and
- d) unless the Authority directs otherwise, a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the output, the proposed adjustments to the output, delivery dates or allowances fairly reflect the effects of the Cost And Output Adjusting Event.

3.13.14 The Authority will also consider directing amendments to the outputs, delivery dates and allowances in Appendix 2, without an application being made under paragraph 3.13.11, where it considers there has been a Cost And Output Adjusting Event meeting the requirements set out in paragraph 3.13.11(a) to (c).

#### **Part E: Assessment of Price Control Deliverable (FIOCRA<sub>t</sub> and FIOCRO<sub>t</sub>)**

3.13.15 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for FIOCRA<sub>t</sub> and FIOCRO<sub>t</sub> where the licensee has not Fully Delivered an output in Appendix 2.

**Part F: What process will the Authority follow in making a direction?**

3.13.16 Before making a direction under paragraphs 3.13.8, 3.13.11, 3.13.14 or 3.13.15, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.13.17 A FIOC Project Direction under paragraph 3.13.8 will set out:

- a) the amendments to Appendix 2; and
- b) any project-specific Cost And Output Adjusting Events.

3.13.18 A direction under paragraph 3.13.11 or 3.13.14 will set out any amendments to Appendix 2.

3.13.19 A direction under paragraph 3.13.15 will set out:

- a) the delivery status of the output that has not been Fully Delivered;
- b) the value of the FIOCRA<sub>t</sub> and FIOCRO<sub>t</sub> terms and the Regulatory Years to which those adjustments relate; and
- c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the FIOCRA<sub>t</sub> and FIOCRO<sub>t</sub> terms.

**Part G: FIOC Guidance and Submissions Requirements Document**

3.13.20 The licensee must comply with the FIOC Guidance and Submissions Requirements Document when making an application under paragraph 3.13.8 or seeking approval under paragraph 3.13.9(a).

3.13.21 The Authority will issue and amend the FIOC Guidance and Submissions Requirements Document by direction.

3.13.22 The Authority will publish the FIOC Guidance and Submissions Requirements Document on the Authority's Website.

3.13.23 The FIOC Guidance and Submissions Requirements Document will make provision about the detailed requirements for making applications and seeking approvals under Part C, including timings and documentary requirements.

3.13.24 Before directing that the FIOC Guidance and Submissions Requirements Document comes into effect the Authority will publish on the Authority's Website:

- a) the text of the proposed FIOC Guidance and Submissions Requirements Document;
- b) the date on which the Authority intends the FIOC Guidance and Submissions Requirements Document to come into effect; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.13.25 Before directing an amendment to the FIOC Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:

- a) the text of the amended FIOC Guidance and Submissions Requirements Document;
- b) the date the Authority intends the amended FIOC Guidance and Submissions Requirements Document to come into effect;
- c) the reasons for the amendments to the FIOC Guidance and Submissions Requirements Document; and
- d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

### Appendix 1

#### Funded incremental obligated capacity baseline allowances (FIOCA<sub>t</sub>) by Regulatory year

Allowance (£m)					Total Allowance (All years)
21/22	22/23	23/24	24/25	25/26	
0.00	0.00	0.00	0.00	0.00	0.00

### Appendix 2

#### Funded incremental obligated capacity Price Control Deliverable

Project	Output	Delivery Date	Total Allowance (all years) (£m)
N/A	N/A	N/A	0.00

### **Special Condition 3.14 Asset health Re-opener (AHt)**

#### **Introduction**

3.14.1 The purpose of this condition is to calculate the term  $AH_t$  (the asset health term). This contributes to the calculation of the Totex Allowance.

3.14.2 The effect of this condition is to:

- a) establish a Re-opener triggered by either the licensee or the Authority to adjust allowances for Compressor Cabs and Plant And Equipment for Regulatory Years commencing on 1 April 2023 to 1 April 2025; and
- b) provide for the true up of costs incurred in Regulatory Years starting on 1 April 2021 and 1 April 2022.

3.14.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

#### **Part A: What is the scope of this Re-opener?**

3.14.4 The licensee may apply to the Authority for a direction:

- a) adjusting the value of the  $AH_t$  term;
- b) adjusting the value of the  $NARMAHO_t$  term; or
- c) amending the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables

where it is seeking allowances for work relating to Compressor Cabs or Plant And Equipment in Regulatory Years commencing on 1 April 2023 to 1 April 2025.

#### **Part B: When to make an application**

3.14.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.14.4 between 25 January 2023 and 31 January 2023, 24 June 2023 and 30 June 2023, between 25 January 2024 and 31 January 2024 or during such later periods as the Authority may direct.

#### **Part C: How to make an application**

3.14.6 An application under paragraph 3.14.4 must be made in writing to the Authority and include:

- a) the changes the licensee is requesting to:
  - i. the value of the  $AH_t$  term and the Regulatory Years to which that adjustment relates;
  - ii. the value of the  $NARMAHO_t$  term and the Regulatory Years to which that adjustment relates; and
  - iii. the Asset Health Non-Lead Assets PCD Tables;
- b) the basis of the calculation for the proposed adjustments to any allowances; and
- c) such detailed supporting evidence, including justification of unit costs and volumes of work based on historical outturn data, benchmarking, actual condition information, cost benefit analysis, and updated engineering justification papers, as is reasonable in the circumstances.

3.14.7 An application under paragraph 3.14.4 must:

- a) relate to changes to the licensee's investment plan that have developed since the licensee submitted its GT Asset Health Plan to the Authority in December 2019;
- b) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold; and
- c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

#### **Part D: Authority triggered Re-opener**

3.14.8 The Authority will also consider directing:

- a) an adjustment to the value of the  $AH_t$  term;
- b) an adjustment to the value of the  $NARMAHO_t$  term; and
- c) an amendment to the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables

without an application being made under paragraph 3.14.4, in relation to costs incurred or expected to be incurred relating to Compressor Cabs or Plant And Equipment Between 1 April 2023 and 31 March 2026 that exceed the Materiality Threshold.

## Part E: Assessment of Years 1 and 2

3.14.9 After the Regulatory Year starting on 1 April 2022, the Authority will assess costs relating to Compressor Cabs and Plant And Equipment for Regulatory Years commencing on 1 April 2021 and 1 April 2022 and direct:

- a) an adjustment to the value of the  $AH_t$  term;
- b) an adjustment to the value of the  $NARMAHO_t$  term; and
- c) an amendment to the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables
- d) to reflect actual efficient costs and work volumes.

## Part F: What process will the Authority follow in making a direction?

3.14.10 Before making a direction under paragraph 3.14.4, 3.14.8 or 3.14.9 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.14.11 A direction under paragraph 3.14.4, 3.14.8 and 3.14.9:

- a) will set out any adjustments to the value of the  $AH_t$  term and the Regulatory Years to which that adjustment relates;
- b) will set out any adjustments to the value of the  $NARMAHO_t$  term and the Regulatory Years to which that adjustment relates; and
- c) where any amendments are being made to the outputs, delivery dates or allowances in the Asset Health Non-Lead Assets PCD Tables, will replace the text in Appendix 2 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable).

### **Special Condition 3.15 Asset health – non-lead assets Price Control Deliverable (NLA<sub>t</sub> and NLAAH<sub>t</sub>)**

#### **Introduction**

- 3.15.1 The purpose of this condition is to calculate the terms NLA<sub>t</sub> (the asset health – non-lead assets Price Control Deliverable term) and NLAAH<sub>t</sub> (the asset health – non-lead assets Re-opener term). These contribute to the calculation of the Totex Allowance.
- 3.15.2 The effect of this condition is to specify the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.15.3 This condition also sets out the process the Authority will follow when assessing the Price Control Deliverable.

#### **Part A: Formulae for calculating the asset health – non-lead assets Price Control Deliverable term (NLA<sub>t</sub>) and the asset health – non-lead assets Re-opener term (NLAAH<sub>t</sub>)**

- 3.15.4 The value of NLA<sub>t</sub> is derived in accordance with the following formula:

$$NLA_t = NLAA_t - NLAR_t$$

where:

- NLAA<sub>t</sub>* means the sum of allowances in the Asset Health Non-Lead Assets Baseline Allowances Table; and
- NLAR<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part C.

- 3.15.5 The value of NLAAH<sub>t</sub> is derived in accordance with the following formula:

$$NLAAH_t = NLAHO_t - NLAHR_t$$

where:

- NLAHO<sub>t</sub>* means the sum of allowances directed by the Authority under paragraphs 3.14.4(c), 3.14.8(c) and 3.14.9(c) of Special Condition 3.14 (Asset health Re-opener); and
- NLAHR<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part C.

#### **Part B: What is the licensee funded to deliver?**

- 3.15.6 The Asset Health Non-Lead Assets PCD Tables specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

**Part C: Assessment of Price Control Deliverable (NLAR<sub>t</sub>)**

3.15.7 The Authority will, in accordance with the the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for NLAR<sub>t</sub> where the licensee has not Fully Delivered an output in the Asset Health Non-Lead Assets PCD Tables.

**Part D: What process the Authority will follow in making a direction**

3.15.8 Before making a direction under paragraph 3.15.7 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.15.9 A direction under paragraph 3.15.7 will set out:

- a) the delivery status of the output that has not been Fully Delivered;
- b) the value of the NLAR<sub>t</sub> term and the Regulatory Years to which that adjustment relates; and
- c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the NLAR<sub>t</sub> term.

**Appendix 1**

**Title and publication date of document containing the Asset Health – Non-Lead Assets  
Baseline Allowances Table**

<b>Title</b>	<b>Publication Date</b>
Final Determinations - RIIO-GT2 Non-lead assets PCD Annex 3	February 2021

**Appendix 2**

**Title and publication date of document containing the Asset Health – Non-Lead Assets  
PCD Tables**

<b>Title</b>	<b>Publication Date</b>
Final Determinations - RIIO-GT2 Non-lead assets PCD Annex 3 <sup>rd</sup> (REVISED)	February 2021

## **Special Condition 3.16 Redundant Assets Price Control Deliverable (RA<sub>t</sub>)**

### **Introduction**

3.16.1 The purpose of this condition is to calculate the term RA<sub>t</sub> (the Redundant Asset Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.16.2 The effect of this condition is to specify the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.16.3 This condition also sets out the process the Authority will follow when assessing the Price Control Deliverable.

### **Part A: Formula for calculating the Redundant Asset Price Control Deliverable term (RA<sub>t</sub>)**

3.16.4 The value of RA<sub>t</sub> is derived in accordance with the following formula:

$$RA_t = RAA_t - RAR_t$$

where:

*RAA<sub>t</sub>* means the sum of allowances in the Redundant Assets PCD Tables; and

*RAR<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part C.

### **Part B: What is the licensee funded to deliver?**

3.16.5 The Redundant Assets PCD Tables specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### **Part C: Assessment of Price Control Deliverable (RAR<sub>t</sub>)**

3.16.6 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for RAR<sub>t</sub> where the licensee has not Fully Delivered an output in the Redundant Assets PCD Tables.

### **Part D: What process will the Authority follow in making a direction?**

3.16.7 Before making a direction under paragraph 3.16.6 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.16.8 A direction under paragraph 3.16.6 will set out:

- a) the delivery status of the output that has not been Fully Delivered;
- b) the value of the  $RAR_t$  term and the Regulatory Years to which that adjustment relates; and
- c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the  $RAR_t$  term.

**Appendix 1**

**Title and publication date of document containing the Redundant Assets PCD Tables**

<b>Title</b>	<b>Publication Date</b>
Final Determinations – RIIO-GT2 Redundant Assets PCD Annex (REVISED)	15 December 2021

## **Special Condition 3.17 Uncertain Costs Re-opener (QL<sub>t</sub> and PD<sub>t</sub>)**

### **Introduction**

- 3.17.1 The purpose of this condition is to calculate the terms QL<sub>t</sub> (Quarry and Loss Development Claim Costs) and the PD<sub>t</sub> (Pipeline Diversion Costs). These contribute to the calculation of the Totex Allowance.
- 3.17.2 The effect of this condition is to establish a Re-opener triggered by either the licensee or the Authority where Uncertain Costs have resulted in material changes to Quarry and Loss Development Claim Costs and Pipeline Diversion Costs.
- 3.17.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### **Part A: What is the scope of the Re-opener?**

- 3.17.4 The licensee may apply to the Authority for a direction adjusting:
- a) the value of the QL<sub>t</sub> terms in relation to Quarry and Loss Development Claim Costs; or
  - b) the value of the PD<sub>t</sub> term in relation to Pipeline Diversion Costs.

### **Part B: When to make an application**

- 3.17.5 The licensee may only make an application under paragraph 3.17.4:
- a) Between 25 January 2023 and 31 January 2023 in relation to Quarry and Loss Development Claim Costs; and
  - b) Between 25 January and 31 January in any Regulatory Year during the Price Control Period in relation to Pipeline Diversion Costs.

### **Part C: How to make an application**

- 3.17.6 An application under paragraph 3.17.4 must be made in writing to the Authority and include:
- a) a statement of the Uncertain Costs to which the application relates;
  - b) the adjustments to either the QL<sub>t</sub> or PD<sub>t</sub> terms that the licensee is requesting and the Regulatory Years to which those adjustments relate;
  - c) the basis of the calculation for the proposed adjustments to the value of the QL<sub>t</sub> or PD<sub>t</sub> term; and
  - d) such detailed supporting evidence, including improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments and engineering

justification papers, as is reasonable in the circumstances and relevant to the Uncertain Costs in question.

3.17.7 An application under paragraph 3.17.4 must:

- a) take account of any allowed expenditure that relates to the Uncertain Costs;
- b) relate to costs incurred or expected to be incurred that for each of the Uncertain Costs applied for exceed the Materiality Threshold; and
- c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

**Part D: Authority triggered Re-opener**

3.17.8 The Authority will also consider directing an adjustment to the  $QL_t$  and  $PD_t$  terms without an application being made under paragraph 3.17.4, where it considers that the licensee has incurred or is likely to incur Uncertain Costs that:

- a) for each of the Uncertain Costs in question exceed the Materiality Threshold; and
- b) were incurred or are expected to be incurred on or after 1 April 2021.

**Part E: True up of actual costs.**

3.17.9 After the Price Control Period, the Authority will direct an adjustment to the  $QL_t$  and  $PD_t$  term to reflect actual efficient costs.

**Part F: What process will the Authority follow in making a direction?**

3.17.10 Before making a direction under paragraph 3.17.4, 3.17.8 or 3.17.9 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.17.11 The direction will set out any adjustments to the value of the  $QL_t$  and  $PD_t$  terms and the Regulatory Years to which those adjustments relate.

**Special Condition 3.18 Opex escalator (OE<sub>t</sub>)****Introduction**

3.18.1 The purpose of this condition is to calculate the OE<sub>t</sub> term (the opex escalator term). This contributes to the calculation of the Totex Allowance.

3.18.2 The effect is to provide additional allowance for capital expenditure allowed under particular uncertainty mechanisms.

**Part A: Formula for calculating the opex escalator term (OE<sub>t</sub>)**

3.18.3 The value of OE<sub>t</sub> is derived in accordance with following formula:

$$OE_t = 73.4\% \times BCAI \times \frac{UMTERM_t}{BCAPEX}$$

where:

*UMTERM<sub>t</sub>* has the value derived in accordance with the formula in paragraph 3.18.4;

*BCAI* means the baseline allowance for closely associated indirect opex and has the value £239.26m; and

*BCAPEX* means the baseline allowance for capex and has the value £761.3m.

3.18.4 The value of UMTERM<sub>t</sub> is derived in accordance with the following formula:

$$UMTERM_t = PSUPRE_t + NZ_t + NOIT_t + BTRE_t + CEPRE_t + KLSRE_t + FIOCRE_t + AH_t$$

where

*PSUPRE<sub>t</sub>* has the meaning given in Part A of Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable);

*NZ<sub>t</sub>* has the meaning given in Part A of Special Condition 3.6 (Net Zero Re-opener);

*NOIT<sub>t</sub>* has the value zero unless directed otherwise in accordance with Special Condition 3.7 (Non-operational IT Capex Re-opener);

*BTRE<sub>t</sub>* has the meaning given in Part A of Special Condition 3.10 (Bacton terminal site development Re-opener and Price Control Deliverable);

*CEPRE<sub>t</sub>* has the meaning given in Part A of Special Condition 3.11 (Compressor emissions Re-opener and Price Control Deliverable);

*KLSRE<sub>t</sub>* has the meaning given in Part A of Special Condition 3.12 (King's Lynn subsidence Re-opener and Price Control Deliverable);

$FIOCRE_t$  has the meaning given in Part A of Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable); and

$AH_t$  has the value zero unless directed otherwise in accordance with Special Condition 3.14 (Asset health Re-opener).

## **CHAPTER 4 OUTPUT DELIVERY INCENTIVES**

### **Special Condition 4.1 Total output delivery incentive performance (ODI<sub>t</sub>)**

#### **Introduction**

4.1.1 The purpose of this condition is to calculate ODI<sub>t</sub> (the output delivery incentives term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

4.1.2 The effect is to produce a total of individual ODI terms.

#### **Part A: Formula for calculating total output delivery incentive performance**

4.1.3 The value of ODI<sub>t</sub> is derived in accordance with the following formula:

$$ODI_t = CSI_t + ESI_t$$

where:

*CSI<sub>t</sub>* is derived in accordance with Special Condition 4.2; and

*ESI<sub>t</sub>* is derived in accordance with Special Condition 4.3.

## **Special Condition 4.2 Customer satisfaction survey output delivery incentive (CSI<sub>t</sub>)**

### **Introduction**

- 4.2.1 The purpose of this condition is to provide for the calculation of the term CSI<sub>t</sub> (the customer satisfaction output delivery incentive term). This contributes to the calculation of the term ODI<sub>t</sub> (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 4.2.2 The effect of the condition is to reward or penalise the licensee in relation to its performance under the customer satisfaction survey output delivery incentive.

### **Part A: Formula for calculating the customer satisfaction incentive (CSI<sub>t</sub>)**

- 4.2.3 The value of CSI<sub>t</sub> is derived in accordance with the following formula:

$$CSI_t = EABR \times CSAF_t$$

where:

*EABR* means Ex-Ante Base Revenue; and

*CSAF<sub>t</sub>* means the revenue adjustment factor based on the licensee's customer satisfaction survey performance in Regulatory Year t, derived in accordance with the following formula:

If  $CSP_t > CST$ :

$$CSAF_t = \min \left[ CSUPA, CSUPA \times \left( \frac{CSP_t - CST}{CSCAP - CST} \right) \right]$$

If  $CSP_t < CST$ :

$$CSAF_t = \max \left[ CSDPA, CSDPA \times \left( \frac{CST - CSP_t}{CST - CSCOL} \right) \right]$$

where:

*CSP<sub>t</sub>* is the overall average customer satisfaction survey result in Regulatory Year t;

*CST* is the customer satisfaction survey target, and has the value 7.8;

*CSCAP* is the customer satisfaction survey cap, and has the value 8.5;

*CSUPA* is the customer satisfaction maximum upside percentage adjustment, and has the value 0.5%;

*CSCOL* is the customer satisfaction survey collar, and has the value 7.1; and

*CSDPA* is the customer satisfaction maximum downside percentage adjustment, and has the value -0.5%.

## **Part B: Customer satisfaction surveys**

4.2.4 The licensee must, unless the Authority otherwise consents, carry out a survey at least once in each Regulatory Year to assess customer satisfaction with its Licensed Activity.

4.2.5 The licensee may include such questions in the survey as it considers appropriate, but:

- a) the survey must include a question that asks for overall customer satisfaction to be rated on a scale of 1-10, where 1 is low and 10 is high; and
- b) the question must be framed as “Based on your experience of the [service touchpoints – see Appendix 1] you received/attended, how satisfied are you with National Grid Gas?”.

4.2.6 The licensee must share the results of this survey with the Authority.

## **Appendix 1 Service touchpoints**

4.2.7 The following service touchpoints may be used in the question in paragraph 4.2.5:

- a) Planning application service
- b) Gas construction service
- c) Gas markets policy and change service
- d) Connections service
- e) Disconnections service
- f) Diversions service
- g) Gas National Control Centre (GNCC) service
- h) Day to day account management
- i) Energy balancing services (including allocations, measurements)
- j) Maintenance service
- k) Specific [Event/Engagement/Forum] name
- l) Capacity Auction service

## **Special Condition 4.3 Environmental scorecard output delivery incentive (ESI<sub>t</sub>)**

### **Introduction**

4.3.1 The purpose of this condition is to calculate the term ESI<sub>t</sub> (the environmental scorecard output delivery incentive term). This contributes to the calculation of the term ODI<sub>t</sub> (the

output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

- 4.3.2 The effect of this incentive is to reward or penalise the licensee for its performance in seven environmental areas as compared to annual improvement thresholds.
- 4.3.3 This condition also sets out the process that the Authority will follow to update the value  $EGI_t$  and the baseline measure for Environmental Net Gain as set out in Appendix 1.

**Part A: Process for updating Environmental Net Gain incentive rate ( $EGI_t$ )**

- 4.3.4 The value of  $EGI_t$  will be zero and the Environmental Net Gain baseline will not be set, until such time as the Authority directs otherwise.
- 4.3.5 The licensee may request that the Authority make a direction under paragraph 4.3.4 by submitting an application to the Authority in writing setting out:
- a) the proposed value for the term  $EGI_t$ ;
  - b) the proposed baseline measure for Environmental Net Gain; and
  - c) justification for the proposals under sub-paragraphs (a) and (b).
- 4.3.6 Before making a direction under paragraphs 4.3.4 the Authority will publish on the Authority's Website:
- a) the text of the proposed direction;
  - b) the reasons for the proposed direction; and
  - c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

- 4.3.7 A direction under paragraph 4.3.4 will set out:
- a) amendments to this condition to set out:
    - i. the value for the term  $EGI_t$ ; and
    - ii. the baseline measure for Environmental Net Gain; and
  - b) the date from which the direction is to have effect, which will not be before the first day of the Regulatory Year following the making of the direction.

**Part B: Formula for calculating the environmental scorecard output delivery incentive term ( $ESI_t$ )**

- 4.3.8 The value of  $ESI_t$  is derived in accordance with the following formula:

$$ESI_t = [OT_t + BM_t + WR_t + OW_t + WU_t + EV_t + EG_t] \times TIS$$

where:

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OT <sub>t</sub>	means the value of the operational transport emissions component of the environmental scorecard incentive derived in accordance with the following formula: = OTI <sub>t</sub> , if OTA <sub>t</sub> ≤ OTTR <sub>t</sub> ; = -OTI <sub>t</sub> , if OTA <sub>t</sub> ≥ OTTP <sub>t</sub> ; otherwise has the value zero;
OTI <sub>t</sub>	means the incentive for operational transport emissions and has the value set out in Appendix 1;
OTA <sub>t</sub>	means the percentage change in the licensee's operational transport emissions compared to baseline levels in Appendix 3;
OTTR <sub>t</sub>	means the reward threshold for operational transport emissions and has the value set out in Appendix 2;
OTTP <sub>t</sub>	means the penalty threshold for operational transport emissions and has the value set out in Appendix 2;
BM <sub>t</sub>	means the value for the business mileage emissions component of the environmental scorecard incentive derived in accordance with the following formula: = BMI <sub>t</sub> , if BMA <sub>t</sub> ≤ BMTR <sub>t</sub> ; = -BMI <sub>t</sub> , if BMA <sub>t</sub> ≥ BMTP <sub>t</sub> ; otherwise has the value zero;
BMI <sub>t</sub>	means the incentive for business mileage emissions and has the value set out in Appendix 1;
BMA <sub>t</sub>	means the percentage change in the licensee's total business mileage emissions compared to baseline levels in Appendix 3;
BMTR	means the reward threshold for business mileage emissions and has the value set out in Appendix 2;
BMTP	means the penalty threshold for business mileage emissions and has the value set out in Appendix 2;
WR <sub>t</sub>	means the value for the waste recycling component of the environmental scorecard incentive derived in accordance with the following formula: = WRI <sub>t</sub> , if WRA <sub>t</sub> ≥ WRTR <sub>t</sub> ; = -WRI <sub>t</sub> , if WRA <sub>t</sub> ≤ WRTP <sub>t</sub> ; otherwise has value the zero;

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WRI <sub>t</sub>	means the incentive for waste recycling and has the value set out in Appendix 1;
WRA <sub>t</sub>	means the percentage of the licensee's operational and office waste that is recycled;
WRTR	means the reward threshold for waste recycling and has the value set out in Appendix 2;
WRTP	means the penalty threshold for waste recycling and has the value set out in Appendix 2;
OW <sub>t</sub>	means the value for the office waste reduction component of the environmental scorecard incentive derived in accordance with the following formula: = OWI <sub>t</sub> , if OWA <sub>t</sub> ≤ OWTR <sub>t</sub> ; = -OWI <sub>t</sub> , if OWA <sub>t</sub> > OWTP <sub>t</sub> ; otherwise has the value zero;
OWI <sub>t</sub>	means the incentive for office waste reduction and has the value set out in Appendix 1;
OWA <sub>t</sub>	means the percentage change in the waste generated at the Licensee's Offices compared to baseline levels in Appendix 3, provided that for the Warwick site, the amount of waste generated will be attributed to the licensee and other parties in proportion with the capex allocation (as notified by the licensee to the Authority) for each party residing at the site;
OWTR	means the reward threshold for office waste reduction and has the value set out in Appendix 2;
OWTP	means the penalty threshold for office waste reduction and has the value set out in Appendix 2;
WU <sub>t</sub>	means the value for the water use reduction component of the environmental scorecard incentive derived in accordance with the following formula: = WUI <sub>t</sub> , if WUA <sub>t</sub> ≤ WUTR <sub>t</sub> ; = -WUI <sub>t</sub> , if WUA <sub>t</sub> > WUTP <sub>t</sub> ; otherwise has the value zero;
WUI <sub>t</sub>	means the incentive for water use reduction and has the value set out in Appendix 1;
WUA <sub>t</sub>	means the percentage change in the volume of [scope to be defined eg construction/operational/office] water use compared to the baseline levels in Appendix 3, provided that for the Warwick site, the amount of water use will be

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attributed to the licensee and other parties in proportion with the capex allocation (as notified by the licensee to the Authority) for each party residing at the site;

WUTR means the reward threshold for water use reduction and has the value set out in Appendix 2;

WUTP means the penalty threshold for water use reduction and has the value set out in Appendix 2;

$EV_t$  means the value for the Environmental Value component of the environmental scorecard incentive.

For years 2021/22 to 2024/25,  $EV_t$  is derived in accordance with the following formula:

$$=EVPC_t + EVCOR_t$$

For the final year of the Price Control Period, 2025/26, it is derived in accordance with the following formula:

$$= -4 * EVI_t - EVCOM_{t-1}, \text{ if } \sum_{2021/22}^t EVA_t * 100 < 6,$$

$$= (\text{Min}(\sum_{2021/22}^t EVA_t * 100, 14) - 10) * EVI_t - EVCOM_{t-1} \text{ in all other cases;}$$

EVPC<sub>t</sub> means the valuation of the annual change in Environmental Value and is derived in accordance with the following formula:

$$=EVI_t * (EVTP_t - EVTT_t) * 100, \text{ if } EVA_t \leq EVTP;$$

$$=EVI_t * (EVTR_t - EVTT_t) * 100, \text{ if } EVA_t \geq EVTR;$$

otherwise has the value of zero;

$EVI_t$  means the incentive for Environmental Value and has the value set out in Appendix 1;

EVTT<sub>t</sub> means the baseline Environmental Value target which is equal to 1% in year 2021/2022 and otherwise has the value of 2.25%;

EVTR<sub>t</sub> means the reward threshold for Environmental Value and has the value set out in Appendix 2;

EVTP<sub>t</sub> means the penalty threshold for Environmental Value and has the value set out in Appendix 2;

$EVA_t$  means the annual percentage change in the Environmental Value of the licensee's non-operational land compared to the baseline levels in Appendix 3;

EVCOR<sub>t</sub> means the correction factor for the Environmental Value component derived in accordance with the following formula:

=MIN [-(EVCOM<sub>t-1</sub>+EVPC<sub>t</sub>), (EVA<sub>t</sub>-EVTT<sub>t</sub>)\*100\*EVI<sub>t</sub>]; if EVCOM<sub>t-1</sub> +EVPC<sub>t</sub>< 0 AND EVA<sub>t</sub> > EVTT<sub>t</sub>,

=MAX [-EVCOM<sub>t-1</sub>, +EVPC<sub>t</sub>, (EVA<sub>t</sub> - EVTT<sub>t</sub>)\*100 \* EVI<sub>t</sub>]; if (EVCOM<sub>t-1</sub> +EVPC<sub>t</sub>)> 0 AND EVA<sub>t</sub> < EVTT<sub>t</sub>,

otherwise has the value zero;

EVCOM<sub>t</sub> means the cumulative calculated value of the Environmental Value component over the Price Control Period as derived in accordance with the following formula:

$$= \sum_{2021/22}^t EV_t$$

EG<sub>t</sub> means the value for the Environmental Net Gain component of the environmental scorecard incentive derived in accordance with the following formula:

$$= EGR_t + EGP_t$$

EGR<sub>t</sub> means the value of reward for all Qualifying Projects that have met or exceeded the reward threshold and is derived in accordance with the following formula:

$$=NR_t*EGI_t$$

otherwise has the value zero;

EGP<sub>t</sub> means the value of penalty for all Qualifying Projects that have achieved equal to or less than the penalty threshold and is derived in accordance with the following formula:

$$=NP_t*EGI_t$$

otherwise has the value zero;

NR<sub>t</sub> means the number of Qualifying Projects that have met or exceeded the reward threshold (EGTR<sub>t</sub>) in the Regulatory Year otherwise has the value zero.

NP<sub>t</sub> means the number of Qualifying Projects that have achieved equal to or less than the penalty threshold (EGTP<sub>t</sub>) in the Regulatory Year and otherwise has the value zero;

EGI<sub>t</sub> means the incentive for Environmental Net Gain and has the value set out in Appendix 1;

EGTR<sub>t</sub> means the reward threshold for Environmental Net Gain and has the value set out in Appendix 2;

EGTP <sub>t</sub>	means the penalty threshold for Environmental Net Gain and has the value set out in Appendix 2; and
TIS	means the Totex Incentive Strength.

### Appendix 1 Incentive values

Incentive Rate	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
OTI <sub>t</sub> (£)	13,796	14,134	14,309	14,484	14,659
BMI <sub>t</sub> (£)	879	897	906	1,829	1,847
WRI <sub>t</sub> (£)	302	302	302	302	378
OWI <sub>t</sub> (£)	76	76	76	153	382
WUI <sub>t</sub> (£)	2	2	2	4	11
EVI <sub>t</sub> (£)	329,201	329,201	329,201	329,201	329,201
EGI <sub>t</sub> (£)	0	0	0	0	0

### Appendix 2 Annual performance thresholds

Annual performance thresholds	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
OTTR	-12%	-14%	-16%	-26%	-38%
OTTP	8%	6%	4%	-6%	-18%
BMTR	-3%	-5%	-7%	-10%	-12%
BMTP	-1%	-3%	-5%	-6%	-8%
WRTR	52%	54%	57%	61%	65%
WRTP	44%	46%	49%	53%	55%
OWTR	-3%	-5%	-7%	-10%	-25%
OWTP	-1%	-3%	-5%	-6%	-15%
WUTR	-3%	-5%	-7%	-10%	-25%
WUTP	-1%	-3%	-5%	-6%	-15%
EVTR	1.40%	3.15%	3.15%	3.15%	3.15%
EVTP	0.60%	1.35%	1.35%	1.35%	1.35%
EGTR	15%	15%	15%	15%	15%
EGTP	5%	5%	5%	5%	5%

### Appendix 3 Baseline measures

<b>Impact area</b>	<b>Year</b>	<b>Level</b>
Operational transport emissions (tCO <sub>2</sub> e)	2021 forecast	1748
Business mileage (tCO <sub>2</sub> e)	2019/20	1608
Licensee's Office waste generated in tonnes	2019/20	54.60
Licensee's Office water use in m3	2019/20	7,380
Environmental Value of licensee's non-operational land (£m)	2020/21	32.92

## **CHAPTER 5 OTHER REVENUE ALLOWANCES**

### **Special Condition 5.1 Transportation owner other revenue allowance (ORA<sub>t</sub>)**

#### **Part A: Introduction**

5.1.1 The purpose of this condition is to calculate the term ORA<sub>t</sub> (the other revenue allowance term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

#### **Part B: Formula for calculating total other revenue allowance (ORA<sub>t</sub>)**

5.1.2 The value of ORA<sub>t</sub> is derived in accordance with the following formula:

$$ORA_t = NIA_t + CNIA_t + SIFF_t + PRPN_t$$

where:

*NIA<sub>t</sub>* is derived in accordance with Special Condition 5.2;

*CNIA<sub>t</sub>* is derived in accordance with Special Condition 5.3;

*SIFF<sub>t</sub>* is derived in accordance with Special Condition 5.7 (The strategic innovation fund); and

*PRPN<sub>t</sub>* means the pre-RIIO pension true up and has the value given in the GT2 Price Control Financial Model.

## **Special Condition 5.2 RIIO-2 network innovation allowance (NIA<sub>t</sub>)**

### **Introduction**

- 5.2.1 The purpose of this condition is to calculate the term NIA<sub>t</sub> (the network innovation allowance term). This contributes to the calculation of the term ORA<sub>t</sub> (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 5.2.2 The effect of this condition is to fund investment in innovation by means of the NIA.
- 5.2.3 This condition also establishes a framework for the governance and administration of the NIA.

### **Part A: Formula for calculating the network innovation allowance term (NIA<sub>t</sub>)**

5.2.4 Subject to paragraph 5.2.5 the value of the NIA<sub>t</sub> term is derived in accordance with the following formula:

$$NIA_t = 90\% \times NIAE_t$$

where:

*NIAE<sub>t</sub>* means the Total NIA Expenditure.

5.2.5 The total value of the network innovation allowance over the RIIO-2 Price Control Period is subject to the following cap:

$$\sum_{t=2021/22}^{2025/26} (NIA_t) \leq (TNIA_t + HYIN_t)$$

where:

*NIA<sub>t</sub>* is derived in accordance with paragraph 5.2.4.

*TNIA<sub>t</sub>* means the value of the licensee's network innovation allowance as set out in Appendix 1.

*HYIN<sub>t</sub>* means hydrogen innovation funding and has the value zero unless otherwise directed by the Authority in accordance with Part B.

5.2.6 The licensee must not spend more than 25% of Total NIA Expenditure on internal resources over the Price Control Period.

### **Part B: Hydrogen innovation funding (HYIN<sub>t</sub>)**

5.2.7 The Authority will direct a positive value for HYIN<sub>t</sub> where it has decided that the value of NIAE is insufficient to enable the licensee to proceed with hydrogen related innovation that the Authority considers:

- a) ought to proceed; and
- b) satisfy the eligibility criteria specified in the RIIO-2 NIA Governance Document.

5.2.8 Before making a direction under paragraph 5.2.7 the Authority will:

- a) engage with the licensee and stakeholders which may include:
  - i. the Net Zero Innovation Board; or
  - ii. the Net Zero Advisory Group; and
- b) publish on the Authority's Website:
  - i. the text of the proposed direction;
  - ii. the reasons for the proposed direction; and
  - iii. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

5.2.9 A direction under paragraph 5.2.7 will set out the value of the HYIN<sub>t</sub> term and the Regulatory Years to which that adjustment relates.

**Part C: The RIIO-2 NIA Governance Document**

5.2.10 The licensee must comply with the RIIO-2 NIA Governance Document.

5.2.11 The Authority will issue and amend the RIIO-2 NIA Governance Document by direction.

5.2.12 The Authority will publish the RIIO-2 NIA Governance Document on the Authority's Website.

5.2.13 The RIIO-2 NIA Governance Document will make provision about the regulation, governance and administration of the NIA, including:

- a) the definition of “unrecoverable NIA expenditure”;
- b) the eligibility criteria which RIIO-2 NIA Projects must meet;
- c) the information that is to be published by the licensee before RIIO-2 NIA Projects can begin;
- d) the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-2 NIA Project, and the processes and procedures for that approval;
- e) arrangements for ensuring that learning from RIIO-2 NIA Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees;

- f) the reporting obligations in respect of RIIO-2 NIA Projects (which may include reporting in respect of the funding and the completion of such projects, and the provisions of the RIIO-2 NIA Governance Document); and
- g) arrangements relating to the treatment of intellectual property rights in respect of RIIO-2 NIA Projects.

5.2.14 Before directing that the RIIO-2 NIA Governance Document comes into effect, the Authority will publish on the Authority's Website:

- a) the text of the proposed RIIO-2 NIA Governance Document;
- b) the date on which the Authority intends the RIIO-2 NIA Governance Document to come into effect; and
- c) a period during which representations may be made on the content of the RIIO-2 NIA Governance Document, which will not be less than 28 days.

5.2.15 Before directing an amendment to the RIIO-2 NIA Governance Document, the Authority will publish on the Authority's Website:

- a) the text of the amended RIIO-2 NIA Governance Document;
- b) the date on which the Authority intends the amended RIIO-2 NIA Governance Document to come into effect;
- c) the reasons for the amendments to the RIIO-2 NIA Governance Document; and
- d) a period during which representations may be made on the amendment to the RIIO-2 NIA Governance Document, which will not be less than 28 days.

## Appendix 1

### Value of the licensee's network innovation allowance

Licensee	Value of TNIA <sub>t</sub> (£m)
NGGT	25.00

### **Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA<sub>t</sub>)**

#### **Introduction**

5.3.1 The purpose of this condition is to calculate the term CNIA<sub>t</sub> (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORA<sub>t</sub> (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

5.3.2 The effect of this condition is to extend RIIO-1 Network Innovation Allowance funding.

5.3.3 This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

**Part A: Formula for calculating the Carry-over Network Innovation Allowance term (CNIA<sub>t</sub>)**

5.3.4 For the Regulatory Year commencing on 1 April 2021, the value of CNIA is derived in accordance with the following formula:

$$CNIA_t = (0.9 \times \min [ECNIA_t, CNIAV] - CNIA R_t) \times \frac{PI_{2018/19}}{PI_t}$$

where:

*ECNIA<sub>t</sub>* means the expenditure incurred by the licensee in respect of Eligible CNIA Projects as calculated by the licensee in accordance with the RIIO-1 NIA Governance Document and reported to the Authority in accordance with the RIGs;

*CNIAV* is derived in accordance with Part B;

*CNIA R* means an amount recovered by the licensee in relation to Regulatory Year 2021/22 under the RIIO-1 Network Innovation Allowance which the Authority has directed is unrecoverable in accordance with the RIIO-1 NIA Governance Document; and

$\frac{PI_{2018/19}}{PI_t}$  is the price index derived in accordance with Part F of Special Condition 2.1.

5.3.5 For Regulatory Years commencing on or after 1 April 2022, the value of CNIA<sub>t</sub> is equal to zero.

5.3.6 Eligible CNIA Internal Expenditure may not exceed 25% of the total Eligible CNIA, unless the Authority otherwise consents.

**Part B: Formula for calculating the Carry-over Network Innovation Allowance Value term (CNIAV)**

5.3.7 The value of CNIAV is derived in accordance with the following formula:

$$CNIAV = NIAV_{2020/21} \times BR_{2020/21} - (ENIA_{2020/21} + BPC_{2020/21})$$

where:

*NIAV<sub>2020/21</sub>* is calculated in accordance with Part B of Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021;

*BR<sub>2020/21</sub>* is calculated in accordance with Part B of Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021;

*ENIA<sub>2020/21</sub>* is calculated in accordance with Part B of Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021; and

*BPC<sub>2020/21</sub>* is calculated in accordance with Part B of Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021.

### **Part C: The RIIO-1 NIA Governance Document**

5.3.8 The licensee must comply with the RIIO-1 NIA Governance Document.

5.3.9 The Authority will amend the RIIO-1 NIA Governance Document by direction.

5.3.10 The RIIO-1 NIA Governance Document makes and will continue to make additional provision in respect of:

- a) arrangements for ensuring that relevant learning from Eligible CNIA Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees whose licences contain a condition of equivalent effect to this condition;
- b) the nature of the reporting obligations in respect of such 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 RIIO-1 NIA Governance Document);
- c) arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and
- d) any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.

### **Part D: Procedure for amending the RIIO-1 NIA Governance Document**

5.3.11 Before amending the RIIO-1 NIA Governance Document by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended RIIO-1 NIA Governance Document;

- b) the date on which the Authority intends the amended RIIO-1 NIA Governance Document to come into effect;
- c) the reasons for the amendments to the RIIO-1 NIA Governance Document; and
- d) a period during which representations may be made on the amendments to the RIIO-1 NIA Governance Document, which will not be less than 28 days.

**Special Condition 5.4 System operator other revenue allowance (SOORA<sub>t</sub>)****Introduction**

5.4.1 The purpose of this condition is to calculate the term SOORA<sub>t</sub> (the other revenue allowance term). This contributes to the calculation of SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).

**Part A Formula for calculating total other revenue allowance (SOORA<sub>t</sub>)**

5.4.2 The value of SOORA<sub>t</sub> is derived in accordance with the following formula:

$$SOORA_t = CM_t + SOIRC_t + SOPRPN_t$$

where:

$CM_t$  is derived in accordance with Special Condition 5.5;

$SOIRC_t$  is derived in accordance with Special Condition 5.6; and

$SOPRPN_t$  means the pre-RIO pension true up and has the value given in the GT2 Price Control Financial Model.

## **Special Condition 5.5 Entry Capacity and Exit Capacity Constraint Management (CM<sub>t</sub>)**

### **Introduction**

5.5.1 The purpose of this condition is to calculate the term CM<sub>t</sub> (the Entry Capacity and Exit Capacity Constraint Management allowed revenue term). This contributes to calculation of SOORA<sub>t</sub> (the other revenue allowance term) in Special Condition 5.4 (SO other revenue allowance).

5.5.2 CM<sub>t</sub> is the sum of Exit Capacity buyback costs, revenue from accelerated release of Incremental Obligated Entry Capacity and the incentive revenue from the Constraint Management incentive scheme, that encourages the licensee to minimise its Constraint Management costs net of revenue.

### **Part A: The Constraint Management allowed revenue (CM<sub>t</sub>)**

5.5.3 The value of CM<sub>t</sub> is derived in accordance with the following formula:

$$CM_t = CMIR_t + RAREnCA_t + ExBBCNLRA_t$$

where:

*CMIR<sub>t</sub>* is derived in accordance with paragraph 5.5.4;

*RAREnCA<sub>t</sub>* means the revenue from the accelerated release of Incremental Obligated Entry Capacity from the sale of Non-Obligated Entry Capacity at an NTS Entry Point; and

*ExBBCNLRA<sub>t</sub>* is the Exit Capacity buyback costs incurred by the licensee which users are liable to reimburse to the licensee in accordance with the Uniform Network Code and which arise:

- a) as a result of the rate of offtake by a User at a particular NTS Exit Point exceeding the maximum permitted offtake rate for that NTS Exit Point;
- b) as a result of an Aggregate Overrun of Exit Capacity at an NTS Exit Point; or
- c) in respect of any NTS Exit Point in respect of which the licensee has notified a planned Maintenance Day in accordance with the Uniform Network Code.

### **Part B: The Constraint Management incentive revenue (CMIR<sub>t</sub>)**

5.5.4 The value of CMIR<sub>t</sub> is derived in accordance with the following formula:

$$CMIR_t = CMSF \times (CMOpTC_t - CMOpPM_t) - CMInvC_t$$

where:

$CMSF$  is the Constraint Management sharing factor which has the value of the Totex Incentive Strength;

$CMOpTC_t$  is derived in accordance with paragraph 5.5.12;

$CMOpPM_t$  is derived in accordance with part 5.5.5;

$CMInvC_t$  is derived in accordance with paragraph 5.5.9; and

*if  $CMIR_t \leq ANLL_t$  then  $CMIR_t = ANLL_t$ , or if  $CMIR_t > ANLU_t$  then  $CMIR_t = ANLU_t$*

where:

$ANLL_t$  has the value set out in Appendix 2; and

$ANLU_t$  has the value set out in Appendix 3.

### **Part C: The Constraint Management operational performance measure (CMOpPM<sub>t</sub>)**

5.5.5 The value of  $CMOpPM_t$  is derived in accordance with the following formula:

$$CMOpPM_t = CMOpC_t - ExBBCNLRA_t - ((RNOEC_t \times 0.14) - RAREnCA_t) - RLOC_t \\ - (RNOExC_t \times 0.14) - RADD_t$$

where:

$CMOpC_t$  is derived in accordance with paragraph 5.5.8;

$ExBBCNLRA_t$  has the meaning set out in paragraph 5.5.3;

$RNOEC_t$  is the revenue derived by the licensee from sales of Non-Obligated Entry Capacity;

$RAREnCA_t$  has the meaning set out in paragraph 5.5.3;

$RLOC_t$  is the revenue derived by the licensee from Locational Sell Actions and Physical Renomination Incentive Charges;

$RNOExC_t$  is the revenue derived by the licensee from the sale of Non-Obligated Exit Capacity;

$RADD_t$  is any further revenues derived by the licensee that the Authority has directed the licensee to include in the Constraint Management operational performance measure  $CMOpPM_t$ .

### **Part D: NOT USED**

5.5.6 NOT USED

**Part E: NOT USED**

## 5.5.7 NOT USED

**Part F: The Constraint Management operational costs (CMOpC<sub>t</sub>)**

5.5.8 The value of CMOpC<sub>t</sub> is derived in accordance with the following formula:

$$CMOpC_t = EnCMOpC_t + ExCMOpC_t$$

where:

*EnCMOpC<sub>t</sub>* means the Entry Capacity operational Constraint Management cost term, incurred by the licensee in respect of Entry Capacity Constraint Management but excluding those included within the EnCMIInvC<sub>t</sub> term (as defined in paragraph 5.5.9); and

*ExCMOpC<sub>t</sub>* means the Exit Capacity operational Constraint Management cost term incurred by the licensee in respect of Exit Capacity Constraint Management but excluding those included within the ExCMIInvC<sub>t</sub> term (as defined in paragraph 5.5.9).

**Part G: The Constraint Management investment costs (CMIInvC<sub>t</sub>)**

5.5.9 The value of CMIInvC<sub>t</sub> is derived in accordance with the following formula:

$$CMIInvC_t = EnCMIInvC_t + ExCMIInvC_t$$

where:

*EnCMIInvC<sub>t</sub>* is the Entry Capacity investment Constraint Management cost term incurred by the licensee in respect of Constraint Management which relates to Funded Incremental Obligated Entry Capacity first released for sale by the licensee on or after 1 April 2021 until such time as that Entry Capacity has been physically delivered; and

*ExCMIInvC<sub>t</sub>* is the Exit Capacity investment Constraint Management cost term incurred by the licensee in respect of Constraint Management which relates to Funded Incremental Obligated Exit Capacity first released for sale by the licensee on or after 1 April 2021 until such time as that Exit Capacity has been physically delivered.

5.5.10 In deriving EnCMIInvC<sub>t</sub> and ExCMIInvC<sub>t</sub> the licensee must use reasonable endeavours to ensure it does not pay more than 0.52p/kWh/Day in respect of Constraint

Management costs for Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity.

5.5.11 Where the licensee has incurred either Entry Capacity or Exit Capacity costs for Constraint Management in respect of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity, the licensee must, no later than 28 days following the last Constraint Management action in respect of  $EnCMIInvC_t$  and  $ExCMIInvC_t$ , send a report to the Authority demonstrating how it used reasonable endeavours to satisfy the obligation in paragraph 5.5.10.

#### **Part H: The Constraint Management operational target (CMOpTC<sub>t</sub>)**

5.5.12 The value of  $CMOpTC_t$  is derived in accordance with the following formula:

$$CMOpTC_t = CMOpBT_t + CMOpDT_t$$

where:

$CMOpBT_t$  is the Constraint Management base target as specified in Appendix 1; and

$CMOpDT_t$  is the variation to the Constraint Management target (which could be positive or negative) as determined in accordance with Part I.

#### **Part I: Determination of the variation to the Constraint Management operational target**

5.5.13 The licensee must apply to the Authority in writing setting out its proposal for  $CMOpDT_t$  where the implementation of the Re-opener in Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable) is likely to cause a variation in the Constraint Management operational target in Part H.

5.5.14 Where the licensee makes an application under paragraph 5.5.13 it must include, in sufficient detail to enable the Authority to decide whether the licensee should implement the proposal, the following:

- a) an explanation of how implementation of the Re-opener will cause a variation in the value of  $CMOpDT_t$  and in turn the variation in the Constraint Management operational target, setting out any proposed amendments to  $CMOpTC_t$ ;
- b) the evidence to support the licensee's proposal;
- c) the date from which the variation to the Constraint Management operational target would apply and, where relevant, the date to which it would apply; and
- d) the value that the licensee proposes the  $CMOpDT_t$  term should take in each relevant Regulatory Year.

5.5.15 The licensee must keep a record of each application made under paragraph 5.5.13.

5.5.16 The licensee must implement the proposal as set out in the application made pursuant to paragraph 5.5.13 or as modified in accordance with paragraph 5.5.17, unless:

- a) the Authority has, during the period of 28 days beginning with the date of receipt by the Authority of the application, directed the licensee to suspend implementation of the proposal because in the Authority's opinion the application made pursuant to paragraph 5.5.13 requires further consideration to evaluate whether the proposal, and the supporting information, are consistent with the licensee's duties under the Act and the conditions of its licence; or
- b) the Authority has, during the period of 56 days beginning with the date of receipt by the Authority of the application, directed the licensee not to implement the proposal.

5.5.17 Where the Authority has notified the licensee in writing to suspend implementation of the proposal in accordance with paragraph 5.5.16(a), the Authority will, during the period of 56 days beginning with the date of receipt by the Authority of the application, direct the licensee either:

- a) to implement the proposal in accordance with the application made under paragraph 5.5.13; or
- b) to implement the proposal in a modified form, subject to the agreement of the licensee, where such modifications relate to:
  - i. the value of  $CMOpDT_t$ ; and
  - ii. the date from which the value of  $CMOpDT_t$  applies.

5.5.18 A direction under paragraph 5.5.17 will set out any amendments to Appendix 1.

5.5.19 Where a proposal is implemented without the Authority giving a direction, the value of  $CMOpDT_t$  will be that proposed by the licensee, unless and until it is withdrawn under paragraph 5.5.20, when it will revert to the value in the previous proposal or zero, whichever is more recent.

5.5.20 The licensee may withdraw a proposal made under paragraph 5.5.13 unless the Authority has given a direction under paragraph 5.5.17.

## **Part J: Obligation to produce a statement of Constraint Management cost allocation rules**

5.5.21 The licensee must have a statement of Constraint Management cost allocation rules, setting out the rules for attributing Constraint Management costs for the purposes of Part F and Part G approved by the Authority.

**Part K: Parameters to review Constraint Management**

5.5.22 The Authority may review some or all conditions contained within Special Condition 5.5, notifying the licensee of the intent and extent of the review, when:

- a)  $CMIR_t \leq ANLL_t$  in any Regulatory Year;
- b)  $CMIR_t \geq ANLU_t$  for two consecutive Regulatory Years; or
- c) where the Authority expects either 5.5.22 (a) or (b) to occur.

**Appendix 1****Constraint Management target (CMOpBT<sub>t</sub>) by Regulatory Year (£m)**

<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
8.50	8.50	8.50	8.50	8.50

**Appendix 2****Annual lower limits on Constraint Management incentive revenue (ANLL<sub>t</sub>) by Regulatory Year (£m)**

<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
-5.20	-5.20	-5.20	-5.20	-5.20

**Appendix 3****Annual upper limits on Constraint Management incentive revenue (ANLU<sub>t</sub>) by Regulatory Year (£m)**

<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
5.20	5.20	5.20	5.20	5.20

## **Special Condition 5.6 System operator external incentives, revenues and costs (SOIRC<sub>t</sub>)**

### **Introduction**

- 5.6.1 The purpose of this condition is to calculate the term SOIRC<sub>t</sub> (the system operator incentive revenue and costs term). This contributes to calculation of SOORA<sub>t</sub> (the other revenue allowance term) in Special Condition 5.4 (SO other revenue allowance).
- 5.6.2 This condition also outlines the licensee's obligations in relation to certain gas system operator services.

### **Part A: The system operator incentive revenue and costs (SOIRC<sub>t</sub>)**

- 5.6.3 The value of SOIRC<sub>t</sub> is derived in accordance with the following formula:

$$SOIRC_t = RBC_t + OMC_t + SC_t + RBIR_t + QDAIR_t + GHGIR_t + MIR_t$$

where:

- RBC<sub>t</sub>* is an amount (£m) equal to the revenue equivalent to the net residual balancing costs incurred by the licensee in respect of Regulatory Year t and shall be equal to the sum of the Basic Net Neutrality Amount and the Adjustment Neutrality Amount across all Days in Regulatory Year t;
- OMC<sub>t</sub>* is the total costs incurred by the licensee from the procurement of availability and utilisation of Operating Margins services for the purposes of satisfying Operating Margins Requirements. It includes 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 the Uniform Network Code) in the event of service utilisation multiplied by the relevant utilisation volume;
- SC<sub>t</sub>* is derived in accordance with Part I.
- RBIR<sub>t</sub>* is derived in accordance with Part B;
- QDAIR<sub>t</sub>* is derived in accordance with Part C;
- GHGIR<sub>t</sub>* is derived in accordance with Part D; and
- MIR<sub>t</sub>* is derived in accordance with Part F.

### **Part B: The residual balancing incentive (RBIR<sub>t</sub>)**

- 5.6.4 The value of RBIR<sub>t</sub> is derived in accordance with the following formula:

$$RBIR_t = \min [1.6, \max (STIP_t, -2.8)]$$

where:

$STIP_t$  is the sum of the total daily incentive payments and is derived in accordance with the following formula:

$$STIP_t = \frac{\sum_d DPIP_{t,d} + \sum_d DLIP_{t,d}}{1000000}$$

where:

$DPIP_{t,d}$  is the daily price incentive payment on Day d and is derived in accordance with paragraph 5.6.5; and

$DLIP_{t,d}$  is the daily linepack incentive payment on Day d and is derived in accordance with paragraphs 5.6.7 and 5.6.8.

5.6.5 The value of  $DPIP_{t,d}$  is derived in accordance with the following table:

$PPM_{t,d}$	$DPIP_{t,d}$
$0 \leq PPM_{t,d} \leq 5$	$1,200 - (PPM_{t,d} \times 800)$
$5 < PPM_{t,d} < 75.667$	$-2,800 - (300 \times (PPM_{t,d} - 5))$
$75.667 \leq PPM_{t,d}$	$-24,000$

5.6.6 The value of  $PPM_{t,d}$  is derived in accordance with the following formula:

$$PPM_{t,d} = \left( \frac{(TMIBP_{t,d} - TMISP_{t,d})}{SAP_{t,d}} \right) \times 100$$

where:

$TMIBP_{t,d}$  is the price (p/kWh) equal to the highest Market Offer Price in relation to an Eligible Balancing Action excluding any Locational Actions taken in respect of Day d of Regulatory Year t. If the licensee took no such eligible action in respect of Day d,  $TMIBP_{t,d}$  equals  $SAP_{t,d}$ ;

$TMISP_{t,d}$  is the price (p/kWh) equal to the lowest Market Offer Price in relation to an Eligible Balancing Action excluding any Locational Actions taken in respect of Day d of Regulatory Year t. If the licensee took no such eligible action in respect of Day d,  $TMISP_{t,d}$  equals  $SAP_{t,d}$ ; and

$SAP_{t,d}$  is the System Average Price (p/kWh) in respect of Day d of Regulatory Year t.

5.6.7 The value of  $DLIP_{t,d}$  is derived for the months that are not Shoulder Months of Regulatory Year t in accordance with the following table:

$LPM_{t,d}$	$DLIP_{t,d}$
-------------	--------------

$0 \leq LPM_{t,d} \leq 1.5$	3,200
$1.5 < LPM_{t,d} < 2.8$	$3,200 \times \left( \frac{2.8 - LPM_{t,d}}{1.3} \right)$
$LPM_{t,d} = 2.8$	0
$15 > LPM_{t,d} > 2.8$	$-24,000 \times \left( \frac{2.8 - LPM_{t,d}}{-12.2} \right)$
$LPM_{t,d} \geq 15$	-24,000

5.6.8 For the Shoulder Months of Regulatory Year t, the value of  $DLIP_{t,d}$  is derived in accordance with the following table:

$LPM_{t,d}$	$DLIP_{t,d}$
$0 \leq LPM_{t,d} \leq 1.5$	3,200
$1.5 < LPM_{t,d} < 2.8$	$3,200 \times \left( \frac{2.8 - LPM_{t,d}}{1.3} \right)$
$2.8 \leq LPM_{t,d} \leq 5.6$	0
$15 > LPM_{t,d} > 5.6$	$-24,000 \times \left( \frac{5.6 - LPM_{t,d}}{-9.4} \right)$
$LPM_{t,d} \geq 15$	-24,000

5.6.9 The value of the  $LPM_{t,d}$  is derived in accordance with the following formula:

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

where:

$OLP_{t,d}$  is the total NTS Linepack in respect of Day d of Regulatory Year t at 05:00 hours on Day d; and

$CLP_{t,d}$  is the total NTS Linepack in respect of Day d of Regulatory Year t at 05:00 hours on Day d+1.

### Part C: Quality of demand forecasting incentive ( $QDAIR_t$ )

5.6.10 The value of  $QDAIR_t$  is derived in accordance with the table below:

$DAFIE_t$	$QDAIR_t$
$0 \leq DAFIE_t \leq 4.5 + DFA_t$	1.5
$4.5 + DFA_t < DAFIE_t < 12.2 + DFA_t$	$3.253 - (0.38961 \times (DAFIE_t - DFA_t))$
$12.2 + DFA_t \leq DAFIE_t$	-1.5

where:

$DAFIE_t$  is the Day ahead demand forecasting incentivised average forecast error (mcm/d) derived in accordance with paragraph 5.6.11; and

$DFA_t$  is the Day ahead demand forecasting adjustment (mcm) derived in accordance with paragraph 5.6.12.

5.6.11 The value of  $DAFIE_t$  is derived in accordance with the following formula:

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

where:

$\sum_d x$  is the sum of x for all Days d of Regulatory Year t;

$DADF_d$  is the Day ahead forecast NTS throughput value (mcm) for all Days in Regulatory Year t, published by the licensee (in accordance with the Uniform Network Code) on its website not later than 14:00 hours on the Day preceding Day d of Regulatory Year t. Where the Day ahead 14:00 forecast NTS throughput value is not published by 14:00 hours on the Day preceding Day d, the next forecast published on the licensee's website for the Day concerned shall be used; and

$AD_d$  is the Actual NTS Throughput value (mcm) on a given Day d, calculated five Days following the Day (d+5), on each Day of Regulatory Year t.

5.6.12 The value of  $DFA_t$  is derived in accordance with the following formula:

$$DFA_t = \min [DFSA_t, 1]$$

where:

$DFSA_t$  is the demand forecasting short-cycle storage adjustment derived in accordance with the following formula:

$$DFSA_t = \max [0, (0.038 \times (AIC_t - AIC_{t-1}) + (DFSA_{t-1} \times DFCl_t))]$$

where:

$DFCl_t$  is the demand forecasting adjustment continuous improvement factor and equals 0.5; and

$AIC_t$  is the average annual capability to have gas injected (mcm/d) at Short-Cycle Storage Facilities connected to the NTS and is derived in accordance with the following formula:

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

where:

$ASF_{d,t}$  is the aggregate capability of any relevant Short-Cycle Storage Facilities connected to the NTS to have gas injected (in mcm/d) on Day d of Regulatory Year t as specified in the Storage Capacity Notice submitted by the relevant Storage Facility operator to the licensee (and updated from time to time) pursuant to the relevant Storage Connection Agreements; and

$DIY_t$  is the number of Days in Regulatory Year t.

5.6.13 The licensee must:

- a) publish on its website, and keep up to date, a list of sites that regularly utilise their capability both to withdraw and inject gas into the Short-Cycle Storage Facility on the same Day; and
- b) when the list is updated, send a copy of the updated list to the Authority as soon as reasonably practicable.

5.6.14 The licensee must send a report to the Authority on the activities, projects and investments undertaken by the licensee, and the costs of these actions, in respect of its annual efforts to improve its quality of demand forecasting at a Day ahead:

- a) by 31 July 2022;
- b) within each succeeding period of twelve months; and
- c) in respect of the previous Regulatory Year.

5.6.15 The licensee must record and report to the Authority on its annual performance in delivering two to five days ahead demand forecasts (D-2 to D-5), including the licensee's D-2 to D-5 annual average forecast error:

- a) by 31 August 2021; and
- b) by 31 July in each subsequent Regulatory Year

or by such other date as the Authority may direct.

5.6.16 The two to five days ahead demand forecasting average error ( $TFDE_t$ ) is derived in accordance with the following formula:

$$TFDE_t = \left[ \frac{\sum_{i=2}^5 AFE_{d-i}}{4} \right]$$

where:

$\sum_{i=2}^5 x_{d-i}$  is the sum of  $x_{d-i}$  for 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 d, and for i = 5 the value of  $x_{d-i}$  means the value for five Days ahead of the Day d; and

$AFE_{d-i}$  is the average forecast error (mcm) as derived in accordance with the following formula:

$$AFE_{d-i} = \sum_d \left( |DF_{d-i} - AD_d| \times \frac{AD_d}{\sum_d AD_d} \right)$$

For  $i = 2, 3, 4$  and  $5$ , and where:

$\sum_d x$  is the sum of  $x$  for all Days  $d$  of Regulatory Year  $t$ ; and

$DF_{d-i}$  is the demand forecast NTS throughput value (mcm) for all Days in Regulatory 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 Regulatory 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 D: The greenhouse gas emissions incentive (GHGIR<sub>t</sub>)

5.6.17 The value of GHGIR<sub>t</sub> is derived in accordance with the following formula:

$$GHGIR_t = \min [1.5, \max (VEP_t, -1.5)]$$

where:

$VEP_t$  is derived in accordance with paragraph 5.6.18.

5.6.18 The value of  $VEP_t$  is derived in accordance with the following formula:

$$VEP_t = \frac{[(VIT_t - VIPM_t) \times VIRP_t]}{1,000,000}$$

where:

$VIT_t$  is the venting incentive target (in tonnes of natural gas) and equals 2,897;

$VIPM_t$  means the venting incentive performance measure (in tonnes of natural gas) calculated as the aggregate amount of Natural Gas Vented from all Compressors; and

$VIRP_t$  is derived in accordance with paragraph 5.6.19.

5.6.19 The value of  $VIRP_t$  (in £/tonne of Natural Gas Vented) is derived in accordance with the following formula:

$$VIRP_t = NTCP_t \times VF_t$$

where:

$VF_t$  is the venting equivalent factor which equals 25;

$NTCP_t$  is the non-traded carbon price (£/tCO<sub>2</sub>e) 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:

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

$NTMCP_{m,t,y}$  is the latest non traded central carbon price (£/tCO<sub>2</sub>e) for month  $m$  in Regulatory Year  $t$  as published in advance of month  $m$  by the Department for Business, Energy and Industrial Strategy (or any other government department from time to time taking on this responsibility) in year  $y$  prices; and

$IF_{m,t,y}$  is the inflation factor from year  $y$  prices to month  $m$  in Regulatory Year  $t$  as derived in accordance with the following formula:

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

where:

$AI_t$  is equal to the arithmetic average of the monthly retail prices index numbers for July to December (both inclusive) preceding Regulatory Year  $t$ ; and

$AI_y$  is equal to the arithmetic average of the monthly retail prices index numbers for July to December (both inclusive) preceding year  $y$ .

## Part E: The Greenhouse Gas Emissions Calculation Methodology

5.6.20 The licensee must have in place and maintain a Greenhouse Gas Emissions Calculation Methodology approved by the Authority.

5.6.21 The Greenhouse Gas Emissions Calculation Methodology must:

- a) calculate the mass of Natural Gas Vented in accordance with accepted greenhouse gas accounting and auditing principles; and
- b) unless the Authority otherwise consents, be accompanied by a statement from a GHG Independent Examiner confirming that the examiner has examined and verified the methodology, including an assessment whether

the methodology is consistent with accepted greenhouse gas accounting and auditing principles.

5.6.22 The licensee must by 31 July 2022, and by 31 July in each subsequent Regulatory Year, send to the Authority:

- a) a statement of the mass (in tonnes) of the Natural Gas Vented calculated in accordance with the Greenhouse Gas Emissions Calculation Methodology, both in respect of the previous Regulatory Year; and
- b) unless the Authority otherwise consents, a statement from a GHG Independent Examiner confirming that the GHG Independent Examiner has carried out an examination to observe whether the mass calculated by the licensee in respect of the previous Regulatory Year in accordance with paragraph (a) has been determined in accordance with the Greenhouse Gas Emissions Calculation Methodology.

5.6.23 The licensee may review, and if appropriate revise, the Greenhouse Gas Emissions Calculation Methodology.

5.6.24 Before commencing a review the licensee must:

- a) notify the Authority;
- b) explain the reasons for the review; and
- c) may not conduct the review if during the period of 28 days beginning with the date of the notification the Authority directs the licensee not to conduct the review.

5.6.25 Before revising the Greenhouse Gas Emissions Calculation Methodology, and during the period of 28 days beginning with the date of completion of a review, the licensee must send to the Authority:

- a) a report on the outcome of the review;
- b) a statement of any proposed revisions or modifications to the Greenhouse Gas Emissions Calculation Methodology that the licensee having regard to the outcome of the review reasonably considers would better achieve the principles and criteria set out in paragraph 5.6.21(a); and
- c) a statement from a GHG Independent Examiner giving an opinion as to the extent to which any proposed revisions or modifications outlined by the licensee pursuant to paragraph 5.6.25(b) are consistent with accepted greenhouse gas accounting and auditing principles before 31 July in the Regulatory Year in which the modification is proposed to be effective.

5.6.26 The Authority will within 56 days of receipt of the report and statements under 5.6.25:

- 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.

5.6.27 Where the Authority takes no action under 5.6.26 the licensee may treat the revisions as approved by the Authority.

#### **Part F: The Maintenance incentive ( $MIR_t$ )**

5.6.28 The value of  $MIR_t$  is derived in accordance with the following formula:

$$MIR_t = MCIR_t + MDI_t + MDIRV_t$$

where:

$MCIR_t$  is the Maintenance change incentive revenue and is derived in accordance with paragraph 5.6.29;

$MDI_t$  is the Maintenance Days incentive revenue for work excluding Valve Operations term and is derived in accordance with paragraph 5.6.31; and

$MDIRV_t$  is the Maintenance Days incentive revenue for Valve Operations term and is derived in accordance with paragraph 5.6.33.

5.6.29 The value of  $MCIR_t$  is derived in accordance with the following formula:

If  $MCICD_t \leq MCITD_t$ , then:

$$MCIR_t = 0$$

otherwise:

$$MCIR_t = \max [MCIPM_t \times 0.05, -0.5]$$

5.6.30 The value of  $MCIPM_t$  (the Maintenance change performance measure term) is derived in accordance with the following formula:

$$MCIPM_t = MCITD_t - MCICD_t$$

where:

$MCICD_t$  is the total number of actual Maintenance Change Days for Regulatory Year  $t$ ; and

$MCITD_t$  is the Maintenance change incentive target in Days, as derived in accordance with the following formula:

$$MCITD_t = 0.0725 \times MW_t$$

where:

$MW_t$  is the Maintenance Workload, in Days for Regulatory Year t.

5.6.31 The value of  $MDI_t$  is derived in accordance with the following formulas:

If  $MDA_t \geq MADT_t$  then:

$$MDI_t = \min[0.5, MDINP_t \times 0.05]$$

otherwise:

$$MDI_t = \max [MDINP_t \times 0.05, -0.5]$$

5.6.32 The value of  $MDINP_t$  (the Maintenance Days incentive performance measure for work excluding Valve Operations term) is derived in accordance with the following formula:

$$MDINP_t = MDA_t - MADT_t$$

where:

$MDA_t$  is the number of Advice Notice Days that excludes Valve Operations in Regulatory Year t;

$MADT_t$  is the Advice Notice Day target, excluding Valve Operations, as derived in accordance with the following formula:

$$MADT_t = 0.75 \times TQM_t; \text{ and}$$

$TQM_t$  is the total quantity of Customer Impacting Work in Days d in respect of customers who are offtaking from the NTS, excluding Valve Operations and as derived in accordance with the licensee's Maintenance Plan for Regulatory Year t.

5.6.33 The value of  $MDIRV_t$  (the Maintenance Days incentive revenue for Valve Operations, £m) is derived in accordance with the following formula:

If  $MDV_t \leq 10$ , then:

$$MDIRV_t = 0$$

otherwise:

$$MDIRV_t = \max [MPMV_t \times 0.02, -0.5]$$

5.6.34  $MPMV_t$  (the Maintenance Days performance measure for Valve Operations work, in Days) is derived in accordance with the following formula:

$$MPMV_t = MDT_t - MDV_t$$

where:

$MDT_t$  is the target number of Maintenance Plan Days, other than Advice Notice Days, in respect of Valve Operations, which has the value 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 the Pipeline Safety Regulations 1996 (S.I. 1996/825); and

$MDV_t$  is 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 Regulatory Year t.

### **Part G: Maintenance and operational planning**

5.6.35 The licensee must use reasonable endeavours to communicate its Maintenance Plan, covering a three year period, to Maintenance Relevant Parties who may be affected by planned Maintenance as soon as is reasonably practicable.

5.6.36 The licensee must give adequate publicity of its Maintenance Plan to industry parties who are not likely to be affected by planned Maintenance as soon as is reasonably practicable.

5.6.37 The licensee must update its Maintenance Plan at least once in each Regulatory Year.

5.6.38 The licensee must include in its Maintenance Plan:

- a) the type of work the licensee intends to carry out and the reasons for carrying out the work;
- b) the location of the work the licensee intends to carry out;
- c) an indication of the impact of any work identified on Maintenance Relevant Parties (for example in relation to a requirement for a reduced flow, steady flow or total cessation of the flow of gas);
- d) an indication of the dates upon which any work identified will take place; and
- e) an indication of the duration of the work identified (number of hours or Days).

5.6.39 The licensee's communications under this condition must, as far as is practicable, include the publication of Maintenance requirements on the licensee's website and include the appropriate contact details for the licensee.

- 5.6.40 For the avoidance of doubt, this condition does not require the licensee to provide any information that, in the opinion of the licensee, may be commercially sensitive or confidential, or which it would, but for the application of this condition, not be entitled to disclose as a result of the application of section 105 of the Utilities Act 2000 (general restrictions on disclosure of information).
- 5.6.41 The licensee must use reasonable endeavours to agree all changes to its Maintenance Plan with any Maintenance Relevant Parties who may be affected by the Maintenance set out in the Maintenance Plan.
- 5.6.42 The licensee must use reasonable endeavours to ensure all Maintenance Relevant Parties are aware of the Minor Works Agreement.
- 5.6.43 By 1 June 2022, and by 1 June in each subsequent Regulatory Year, the licensee must publish a report on its website that:
- a) summarises the Maintenance that it undertook in the previous Regulatory Year, and
  - b) details the changes made to its Maintenance Plan in respect of the previous Regulatory Year.
- 5.6.44 In relation to obligations to report on the length of both Short ILI and Long ILI, the licensee must publish an ILI Report in respect of the preceding Regulatory Year.
- 5.6.45 The report required by paragraph 5.6.44 must be published by 1 August 2022 and by 1 August in each subsequent Regulatory Year.
- 5.6.46 The Authority may, by direction, require a report referred to in paragraphs 5.6.43 or 5.6.44 to be published before the dates set out in paragraphs 5.6.43 and 5.6.45 respectively in each Regulatory Year or at other specified times.

#### **Part H: Procurement of Operating Margins**

- 5.6.47 The licensee must use reasonable endeavours to procure its Operating Margins Requirements in an economic and efficient manner and to promote competition in the provision of Operating Margins to the licensee.
- 5.6.48 To meet its obligations pursuant to paragraph 5.6.47, the licensee must, wherever the licensee considers it is appropriate to do so, consult with OM Interested Parties on the actions it proposes to take to procure Operating Margins and to promote competition in the provision of Operating Margins.
- 5.6.49 The licensee must:
- a) provide to the Authority an Operating Margins Report; and

- b) publish a non-confidential version of the Operating Margins Report on its website.

5.6.50 The Operating Margins Report must be provided and published:

- a) by 31 August 2021;
- b) by 31 August in each subsequent Regulatory Year; and
- c) unless the Authority otherwise directs.

5.6.51 The Operating Margins Report must set out:

- a) for the Operating Margins Report provided in respect of the Storage Year ending on 30 April and each Operating Margins Report provided thereafter, the actions the licensee has taken pursuant to its obligations under this condition during the previous Storage Year;
- b) the actions the licensee has taken pursuant to its obligations under this condition in the current Storage Year;
- c) details of the Operating Margins services it has procured for the current Storage Year;
- d) a summary of the purchasing activities and exchange trades the licensee has taken during the previous and current Storage Years; and
- e) any such data or information related to Operating Margins that the Authority may reasonably request.

### Part I: System costs

5.6.52 The value of  $SC_t$  is derived in accordance with the following formula:

$$SC_t = \sum_q [GC_{t,q} + ECC_{t,q}]$$

where:

$\sum_q x$  is the sum of  $x$  over all Relevant Quarter Years  $q$  in the Regulatory Year  $t$ ;

$GC_{t,q}$  is the total costs incurred by the licensee less any revenues received from third parties in respect of Relevant Quarter Year  $q$  in Regulatory Year  $t$  in the management of NTS Shrinkage, excluding payments under  $ECC_{t,q}$ ; and

$ECC_{t,q}$  is the total costs incurred by the licensee in respect of Relevant Quarter Year  $q$  in Regulatory Year  $t$  in procuring electricity for the purposes of operating Electric Compressors.

## **Part J: Requirement to undertake work to investigate the causes of UAG and CVS**

5.6.53 The licensee must use reasonable endeavours to undertake UAG Projects and compile a CVS Statement for the purposes of investigating the causes of UAG and CVS for each Regulatory Year.

5.6.54 The licensee must, unless the Authority otherwise directs, publish the UAGCVS Reports and provide a copy to the Authority by 1 May and 1 November in each Regulatory Year for the preceding six month period ending on 31 March and 30 September respectively.

5.6.55 The licensee must outline in the UAGCVS Report:

- a) the UAG Projects the licensee has undertaken in the previous period;
- b) the UAG Projects the licensee proposes to undertake in the next period and its views on whether, and if so how, the findings of the UAG Projects may be taken forward in order to reduce the volume of UAG;
- c) the reasons why any UAG Projects that the licensee proposed to undertake have not been undertaken during the Regulatory Year;
- d) a CVS Statement outlining the work conducted during the previous period to investigate CVS, and explaining the licensee's understanding of the causes of CVS;
- e) any additional activities and inspections undertaken by the licensee to improve metering calibration and accuracy;
- f) a summary of any relevant discussions concerning UAG or CVS at industry fora and with interested parties on a one-to-one basis; and
- g) any data or information related to UAG or CVS that the Authority may reasonably request.

5.6.56 During the period of 28 days beginning with the date of publication of a UAGCVS Report the licensee must, unless the Authority otherwise consents, publish on its website all the relevant data referred to in the UAGCVS Report.

## **Part K: Management of NTS Shrinkage Costs**

5.6.57 The licensee must, by 1 June 2021, have in place a Gas Volumes Methodology, which will remain in place for each Regulatory Year except if modified in accordance with 5.6.59, detailing the calculations by which the licensee determines:

- a) seasonal forecast gas volumes;
- b) quarter forecast volumes;

- c) the prompt daily volumes to be bought and sold; and
- d) the costs to apply to the volumes referred to in sub-paragraphs 5.6.57(a) to (c).

5.6.58 The licensee must use reasonable endeavours to publish the Gas Volumes Methodology on its website on or before 1 July 2021, and by the commencement of each subsequent Regulatory Year on 1 April.

5.6.59 The licensee may modify the Gas Volumes Methodology in agreement with the Authority.

5.6.60 The licensee must, unless the Authority otherwise consents, by 31 July 2022 and once by 31 July in each subsequent Regulatory Year, provide to the Authority a Shrinkage Procurement Report, which outlines in respect of the previous Regulatory Year:

- a) best case scenario NTS Shrinkage costs, excluding costs in procuring electricity;
- b) worst case scenario NTS Shrinkage costs, excluding costs in procuring electricity;
- c) average NTS Shrinkage costs, excluding costs in procuring electricity;
- d) actual NTS Shrinkage costs incurred by the licensee, excluding costs in procuring electricity; and
- e) actual NTS Shrinkage costs for procuring electricity incurred by the licensee;

and which provides any further explanation or elaboration of the licensee's NTS Shrinkage costs that will be set out in the RIGs issued by the Authority under Standard Special Condition A40 (Regulatory Instructions and Guidance).

#### **Part L: The NTS Shrinkage Review**

5.6.61 In the Regulatory Year commencing on 1 April 2023, the Authority may review the licensee's management of NTS Shrinkage, including the costs incurred by the licensee as part of this activity.

5.6.62 The review may also include, but not be limited to, review of Parts I, J and K.

5.6.63 Before commencing any review the Authority will discuss the intent and scope of the review with the licensee before 1 June 2023, including the timescale for undertaking such a review.

5.6.64 Upon completion of the review, the Authority will set out any further steps which it considers appropriate in relation to the licensee's management of NTS Shrinkage.

### **Special Condition 5.7 The strategic innovation fund (SIFft)**

- 5.7.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term SIFft. This contributes to the calculation of the term ORAt (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 5.7.2 The effect of this condition is to provide funding for Eligible SIF Projects and the administration of the SIF by means of revenues collected by the licensee through its NTS Transportation Owner Charges pursuant to the SIF Funding Mechanism (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.
- 5.7.3 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 SIFft term**

- 5.7.4 The SIFft term is the amount to be recovered by the licensee on behalf of Gas Transporter Licensees and any body administering the SIF, as determined by the Authority under paragraph 5.7.5 in relation to:
- (a) the SIF Funding specified for that Regulatory Year; and
  - (b) any SIF Funding Return specified for that Regulatory Year.
- 5.7.5 In each Regulatory Year, the Authority will calculate, in accordance with the SIF Governance Document, and then by direction given to the licensee, specify:
- (a) the value for SIFft for the licensee, being the amount (if any) to be recovered by the licensee in order to contribute to its own, other Gas Transporter Licensees' and any body administering the SIF's SIF Funding for that Regulatory Year;
  - (b) the net amounts that are to be transferred between the licensee, other Gas Transporter Licensees and any body administering the SIF in order to ensure that each receives an amount (if any) equal to the proportion of the SIF Funding for that Regulatory Year that is attributable to its Eligible SIF Projects or costs of administering the SIF (adjusted to take into account the amount of any SIF Funding Return); and
  - (c) the manner in which and the timescale over which the net amounts referred to in sub-paragraph (b) are to be transferred.
- 5.7.6 The licensee must comply with any direction issued by the Authority under paragraph

5.7.5.

### **Part B: The SIF Funding Return Mechanism**

5.7.7 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.

5.7.8 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 return to; and
- (b) the manner in which and the timescale over which that amount is to be paid.

5.7.9 The licensee must comply with any direction that is issued by the Authority under paragraph 5.7.8.

### **Part C: The SIF Governance Document**

5.7.10 The licensee must comply with the SIF Governance Document.

5.7.11 The Authority will issue and amend the SIF Governance Document by direction.

5.7.12 The Authority will publish the SIF Governance Document on the Authority's Website.

5.7.13 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 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 has 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 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 SIF Returned Royalty Income in respect of Eligible SIF Projects.

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

5.7.14 Before directing that the SIF Governance Document comes into effect, the Authority will publish on the Authority's Website:

- a) the text of the proposed SIF Governance Document;
- b) the date that the Authority intends the SIF Governance Document to come into effect; and
- c) the time within which representations may be made on the content of the SIF Governance Document, which will not be less than 28 days.

5.7.15 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.

5.7.16 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 licence condition comes into effect.

## **CHAPTER 6 PASS THROUGH EXPENDITURE**

### **Special Condition 6.1 Transportation owner pass-through items (PT<sub>t</sub>)**

#### **Introduction**

- 6.1.1 The purpose of this condition is to calculate the term PT<sub>t</sub> (the transportation owner allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 6.1.2 The effect of this condition is to ensure that the licensee's Allowed Revenue reflects that certain costs can be passed through to customers.

#### **Part A: Formula for calculating the transportation owner allowed pass-through term (PT<sub>t</sub>)**

- 6.1.3 The value of PT<sub>t</sub> is derived in accordance with the following formula:

$$PT_t = RB_t + LF_t + EDE_t + OPTC_t + IS_t + PTV_t + Hy_t + NZPS_t$$

where:

- RB<sub>t</sub>* means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B;
- LF<sub>t</sub>* means the net payments made by the licensee in respect of the NTS Transportation Owner Activity under Standard Condition 3 (Payments by the Licensee to the Authority);
- EDE<sub>t</sub>* means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year that relate to NTS Transportation Owner Activity, as further explained and elaborated upon in the GT2 Price Control Financial Handbook;
- OPTC<sub>t</sub>* means the payments made by the licensee to the Secretary of State in respect of Policing Costs;
- IS<sub>t</sub>* is derived in accordance with paragraph 6.2.3 of Special Condition 6.2 (Gas conveyed to Independent Systems);
- PTV<sub>t</sub>* means the PARCA Termination Value and has the value zero unless directed in accordance with Part D;
- Hy<sub>t</sub>* is derived in accordance with Part E; and
- NZPS<sub>t</sub>* is derived in accordance with Part F.

#### **Part B: Review of Prescribed Rates pass-through term (RB<sub>t</sub>)**

- 6.1.4 As part of any periodic revaluation, the licensee must:

- a) engage with the Relevant Valuation Agency; and
- b) use reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.

6.1.5 The Authority will review the licensee's engagement with the Relevant Valuation Agency with respect to a revaluation.

6.1.6 If, after reviewing the licensee's engagement with the Relevant Valuation Agency and requesting any further information required from the licensee with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority will adjust the value of  $RB_t$  by direction.

### **Part C: Not Used**

### **Part D: Review PARCA Termination Value pass-through term ( $PTV_t$ )**

6.1.7 If the licensee intends to pass-through a PARCA Termination Value, the licensee must send a notice to the Authority setting out the PARCA Termination Costs and the PARCA Termination Amounts received from PARCA Applicants.

6.1.8 If, after reviewing the licensee's notice under paragraph 6.1.7, the Authority agrees with the PARCA Termination Value it will direct the value for  $PTV_t$  accordingly. If the Authority considers that an alternative adjustment should be made to the  $PTV_t$  term, the Authority will direct another value for  $PTV_t$ .

### **Part E: Adjustment for Cadent Gas Limited's Hynet FEED study ( $Hy_t$ )**

6.1.9 The value of  $Hy_t$  is derived in accordance with the following formula:

$$Hy_t = CADENT_t - ALT_t$$

where:

$CADENT_t$  has the value set out in Appendix 1; and

$ALT_t$  has the value zero unless directed otherwise by the Authority, after consulting with the licensee and Cadent Gas Limited.

6.1.10 The licensee must pay to Cadent Gas Limited the value of  $Hy_t$  divided equally on a quarterly basis for the relevant Regulatory Year.

### **Part F: Adjustment for the Distribution Networks' Net Zero Pre-construction Work and Small Net Zero Projects Re-opener ( $NZPS_t$ )**

6.1.11 The value of  $NZPS_t$  is set out in Appendix 2.

6.1.12 The licensee must pay the relevant Distribution Network the amounts specified in Appendix 2 divided equally on a quarterly basis for the relevant Regulatory Year, or in such other instalments as agreed between the licensee and the relevant Distribution Network.

6.1.13 The Authority may amend Appendix 2 by direction, as a result of an application under Special Condition 3.9 (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener) of a Distribution Network's licence, after consulting with the licensee and the relevant Distribution Network.

### Appendix 1

#### Payments related to Cadent's Hynet FEED study (£m)

Licensee/Regulatory Year	2021/22	2022/23	2023/24	2024/25	2025/26
Cadent Gas Limited	4.05	4.05	4.05	0.00	0.00

### Appendix 2

#### Payments to Distribution Networks for Net Zero Pre-construction Work and Small Net Zero Projects (£m)

Distribution Network/Regulatory Year	2021/22	2022/23	2023/24	2024/25	2025/26	Total
SGN plc	0.00	13.36	7.92	2.50	0.00	23.77
Cadent	0.00	3.38	0.00	0.00	0.00	3.38
NGN	0.00	5.73	0.00	0.00	0.00	5.73

## **Special Condition 6.2 Gas conveyed to Independent Systems (IS<sub>t</sub>)**

### **Introduction**

- 6.2.1 The purpose of this condition is to calculate the term IS<sub>t</sub> (the Independent Systems terms), which feeds into PT<sub>t</sub> (the allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 6.2.2 This condition also requires the licensee to recover the costs of connecting Independent Systems from Gas Shippers and then pay those amounts to DN Operators and Relevant Shippers, with any difference between amounts recovered and passed through to consumers.

### **Part A: Formula for calculating the Independent Systems term (IS<sub>t</sub>)**

- 6.2.3 The value of IS<sub>t</sub> is derived in accordance with the following formula:

$$IS_t = (BPD_t + ACPS_t + ACPW_t) \times \frac{PI_{2018/19}}{PI_t}$$

where:

- BPD<sub>t</sub>* is the Bulk Price Differential in nominal prices;
- ACPS<sub>t</sub>* is the amount the licensee must pay to Scotland Gas Networks plc under paragraph 6.2.5;
- ACPW<sub>t</sub>* is the amount the licensee must pay to Wales & West Utilities Limited under paragraph 6.2.5; and
- PI<sub>t</sub>* means the price index term derived in accordance with Part F of Special Condition 2.1

### **Part B: Requirements relating to the Bulk Price Differential (BPD<sub>t</sub>)**

- 6.2.4 The licensee must, in respect of each Independent System, pay to the Relevant Shipper the Bulk Price Differential divided equally on a quarterly basis for the relevant Regulatory Year or on such other basis as may be agreed with the Relevant Shipper.

### **Part C: Requirements relating to DN Operators**

- 6.2.5 The licensee must pay to Scotland Gas Networks plc the amount derived in accordance with the following formula, divided equally on a quarterly basis for the relevant Regulatory Year or on such other basis as may be agreed with Scotland Gas Networks plc:

$$ACPS_t = SGNACP_t \times \frac{PI_t^*}{PI_{2018/19}}$$

where:

- $SGNACP_t$  means the amount in Appendix 1 relating to Scotland Gas Networks plc;
- $PI_t^*$  means the forecast price index term published by the Authority pursuant to Part A of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the end of Regulatory Year t-1; and
- $PI_{2018-19}$  means the price index term for the regulatory year 2018/19 derived in accordance with Part F of Special Condition 2.1.

6.2.6 The licensee must pay to Wales & West Utilities Limited the amount derived in accordance with the following formula, divided equally on a quarterly basis for the relevant Regulatory Year or on such other basis as may be agreed with Wales & West Utilities Limited:

$$ACPW_t = WWUACP_t \times \frac{PI_t^*}{PI_{2018/19}}$$

where:

- $WWUACP_t$  means the amount in Appendix 1 relating to Wales & West Utilities Limited;
- $PI_t^*$  means the forecast price index term published by the Authority pursuant to Part A of Special Condition 8.2 prior to the end of Regulatory Year t-1; and
- $PI_{2018-19}$  means the price index term for the regulatory year 2018/19 derived in accordance with Part F of Special Condition 2.1.

#### **Part D: Recovery and reporting of costs by the licensee**

6.2.7 The licensee must use reasonable endeavours to recover an amount equal to  $IS_t$  from Gas Shippers in the Regulatory Year in which  $BPD_t$ ,  $ACPS_t$  and  $ACPW_t$  are paid.

6.2.8 The licensee must by 31 July in each Regulatory Year submit to the Authority a statement that sets out:

- a) each of the Bulk Price Differential payments made by the licensee to Relevant Shippers in the previous Regulatory Year pursuant to paragraph 6.2.4; and
- b) each of the payments made by the licensee to DN Operators in the previous Regulatory Year pursuant to paragraph 6.2.5.

6.2.9 The statement sent under paragraph 6.2.7 must be in such form, and provide such detail, as the Authority may direct.

## Appendix 1

### Additional costs of serving the customers connected to those Independent Systems operated by the relevant DN Operator (£m)

DN Operator / Regulatory Year	2021/22	2022/23	2023/24	2024/25	2025/26
Scotland Gas Networks plc (SGNACP <sub>t</sub> )	6.64	6.56	6.51	6.58	6.45
Wales & West Utilities Limited (WWUACP <sub>t</sub> )	0.10	0.10	0.10	0.10	0.10

## **Special Condition 6.3 System operator pass-through items (SOPT<sub>t</sub>)**

### **Introduction**

- 6.3.1 The purpose of this condition is to calculate the term SOPT<sub>t</sub> (the system operator allowed pass-through term). This feeds into SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).
- 6.3.2 The effect of this condition is to ensure that the licensee's SO Allowed Revenue reflects that certain costs can be passed through to customers.

### **Part A: Formula for calculating the system operator allowed pass-through term (SOPT<sub>t</sub>)**

- 6.3.3 The SOPT<sub>t</sub> term is derived in accordance with the following formula:

$$SOPT_t = CDSP_t + SOEDE_t$$

where:

*CDSP<sub>t</sub>* means CDSP Costs, excluding costs incurred in relation to UK Link Gemini; and

*SOEDE<sub>t</sub>* means the payments in relation to the Pension Scheme Established Deficit repair expenditure that relate to NTS System Operation Activity

## **CHAPTER 7 LEGACY ADJUSTMENTS**

### **Special Condition 7.1 Transportation owner legacy adjustments (LAR<sub>t</sub>)**

#### **Introduction**

7.1.1 The purpose of this condition is to calculate the term LAR<sub>t</sub> (the transportation owner legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.1.2 The value of LAR<sub>t</sub> and its components are in nominal prices.

#### **Part A: Formula for calculating the transportation owner legacy adjustments (LAR<sub>t</sub>)**

7.1.3 The value of the LAR<sub>t</sub> term is derived in accordance with the following formula:

$$LAR_t = LPT_t + LMOD_t + LK_t + LTRU_t + NOCO_t + NICF_t + SSCO_t$$

where:

*LPT<sub>t</sub>* is derived in accordance with Special Condition 7.2 (Transportation owner legacy pass-through);

*LMOD<sub>t</sub>* is derived in accordance with Special Condition 7.3 (Transportation owner legacy MOD);

*LK<sub>t</sub>* is derived in accordance with Special Condition 7.4 (Transportation owner legacy K correction);

*LTRU<sub>t</sub>* is derived in accordance with Special Condition 7.5 (Transportation owner legacy TRU term);

*NOCO<sub>t</sub>* is derived in accordance with Special Condition 7.6 (Close out of the RIIO-1 Network Outputs);

*NICF<sub>t</sub>* is derived in accordance with Special Condition 7.7 (RIIO-GT1 network innovation competition); and

*SSCO<sub>t</sub>* is derived in accordance with Special Condition 7.8 (Close out of the RIIO-GT1 stakeholder satisfaction output).

## **Special Condition 7.2 Transportation owner legacy pass-through (LPT<sub>t</sub>)**

### **Introduction**

- 7.2.1 The purpose of this condition is to calculate the term LPT<sub>t</sub> (the transportation owner legacy pass-through term). This contributes to the calculation of the LAR<sub>t</sub> (the transportation owner legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 7.2.2 The effect of this condition is to close out the RIIO-GT1 allowed pass-through term such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects pass-through item adjustments relating to the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

### **Part A: Formula for calculating the transportation owner legacy pass-through term (LPT<sub>t</sub>)**

- 7.2.3 For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LPT<sub>t</sub> is derived in accordance with the following formula:

$$LPT_t = LRB_t + LLF_t + LOPTC_t$$

where

- LRB<sub>t</sub>* has the value of RB<sub>t</sub> as determined in accordance with Part B of Special Condition 2B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021;
- LLF<sub>t</sub>* has the value of LF<sub>t</sub> as determined in accordance with Part C of Special Condition 2B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021; and
- LOPTC<sub>t</sub>* has the value of OPTC<sub>t</sub> as determined in accordance with Part D of Special Condition 2B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021.

- 7.2.4 The value of LPT<sub>t</sub> for Regulatory Years commencing on or after 1 April 2023 is zero

## **Special Condition 7.3 Transportation owner legacy MOD (L<sub>MOD</sub><sub>t</sub>)**

### **Introduction**

7.3.1 The purpose of this condition is to set out the process the Authority will follow when directing values for L<sub>MOD</sub><sub>t</sub> (the transportation owner legacy MOD term). This contributes to the calculation of the term LAR<sub>t</sub> (the transportation owner legacy adjustments term), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.3.2 The effect of this condition is to reflect the close out of the GT1 Price Control Financial Model.

### **Part A: Authority Assessment and direction**

7.3.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022 the value of L<sub>MOD</sub><sub>t</sub> is derived in accordance with the following formula:

$$L_{MOD_t} = MOD_t \times RPIF_t$$

where:

*MOD*<sub>t</sub> has the value directed by the Authority coinciding with the Annual Iteration Process, related to revisions to the GT1 Price Control Financial Model, performed in accordance with Chapter 8 (legacy) of the GT2 Price Control Financial Handbook; and

*RPIF*<sub>t</sub> has the value of RPIF<sub>t</sub> derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

7.3.4 For the Regulatory Year commencing on 1 April 2023, the value of L<sub>MOD</sub><sub>t</sub> is derived in accordance with the following formula:

$$L_{MOD_t} = COA \cdot CWACC_t \cdot \frac{PI_t}{PI_{2018/19}}$$

where;

COA means the closeout adjustment in 2018/19 prices, and has the value directed by the Authority in accordance with Chapter 8 (Legacy) of the GT2 Price Control Financial Handbook;

CWACC<sub>t</sub> means compound WACC and has the value derived in accordance with Part B;

$PI_t$  has the value given to it by Part F of Special Condition 2.1; and

$PI_{2018/19}$  has the value given to it by Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2018.

For Regulatory Years commencing 1 April 2024 and 1 April 2025 there are no LMOD<sub>t</sub> values.

7.3.5 Before making a direction under paragraphs 7.3.3 and 7.3.4 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

#### **Part B: Compound WACC**

7.3.6 For the Regulatory Year commencing on 1 April 2021,  $CWACC_t$  has the value of 1.

7.3.7 For Regulatory Years commencing on or after 1 April 2022,  $CWACC_t$  is derived in accordance with the following formula:

$$CWACC_t = \prod_{t=2021/22}^{t-1} (1 + WACC_t)$$

where:

$WACC_t$  means vanilla weighted average cost of capital, set in accordance with the GT2 Price Control Financial Handbook.

## **Special Condition 7.4 Transportation owner legacy K correction (LK<sub>t</sub>)**

### **Introduction**

- 7.4.1 The purpose of this condition is to calculate the term LK<sub>t</sub> (the transportation owner legacy correction term). This contributes to the calculation of the term LAR<sub>t</sub> (the transportation owner legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 7.4.2 The effect of this condition is to close out the RIIO-GT1 correction term such that revenue in the Regulatory Year commencing on 1 April 2021 reflects the correction value relating to the Regulatory Year commencing on 1 April 2019.

### **Part A: Formula for calculating the legacy correction term (LK<sub>t</sub>)**

- 7.4.3 For the Regulatory Year commencing on 1 April 2021 the value of LK<sub>t</sub> is derived in accordance with the following formula:

$$LK_t = -K_t$$

where:

- $K_t$  has the value of  $K_t$  as determined in accordance with Part F of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.
- 7.4.4 The value of LK<sub>t</sub> for the Regulatory Years commencing on or after 1 April 2022 is zero.

## **Special Condition 7.5 Transportation owner legacy TRU term (LTRU<sub>t</sub>)**

### **Introduction**

- 7.5.1 The purpose of this condition is to calculate the term LTRU<sub>t</sub> (the transportation owner legacy TRU term). This contributes to the calculation of the term LAR<sub>t</sub> (the transportation owner legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 7.5.2 The effect of this condition is to close out the RIIO-GT1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 to 1 April 2024 reflects TRU adjustments relating to Regulatory Years commencing on 1 April 2017 to 1 April 2020 respectively.

### **Part A: Formula for calculating the transportation owner legacy TRU term (LTRU<sub>t</sub>)**

- 7.5.3 For the Regulatory Years commencing on 1 April 2021 to 1 April 2022,, the value of LTRU<sub>t</sub> is derived in accordance with the following formula:

$$LTRU_t = TRU_t \cdot RPIF_t$$

where:

*TRU<sub>t</sub>* is derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021; and

*RPIF<sub>t</sub>* is derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

- 7.5.4 For the Regulatory Years commencing on 1 April 2023 to 1 April 2024, the value of LTRU<sub>t</sub> is derived in accordance with the following formula:

$$LTRU_t = \left[ \frac{RPIA_{t-2} - RPIF_{t-2}}{RPIA_{t-2}} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot REV_{t-2} \cdot \frac{PI_t}{PI_{2009/10}}$$

where:

*RPIA<sub>t</sub>* has the value given to it by Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021;

*RPIF<sub>t</sub>* has the value of RPIF<sub>t</sub> as determined in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

$REV_{t-2}$  has the value of  $REV_{t-2}$  as determined in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021. For this calculation the component PU (Opening Base Revenue Allowance) is zero.

$LPVF_t$  has the value derived in accordance with paragraph 7.5.5.

$PI_t$  has the value given to it by Part F of Special Condition 2.1; and

$PI_{2009/10}$  has the value given to it by Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2009.

7.5.5 The value of  $LPVF_t$  is derived in accordance with the following formula:

$$LPVF_t = 1 + WACC_t$$

where:

$WACC_t$  means vanilla weighted average cost of capital, set out in accordance with the GT2 Price Control Financial Handbook.

7.5.6 The value of  $LTRU_t$  for Regulatory Years commencing on or after 1 April 2025 is zero.

## **Special Condition 7.6 Close out of the RIIO-1 Network Outputs (NOCO<sub>t</sub>)**

### **Introduction**

- 7.6.1 The purpose of this condition is to set out the process for deciding the term NOCO<sub>t</sub> (the RIIO-1 Network Outputs close out term). This contributes to the calculation of the LAR<sub>t</sub> term (the transportation owner legacy adjustment term), which in turns feeds into Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 7.6.2 The effect of this condition is to adjust the licensee's revenue to reflect its RIIO-1 Network Outputs delivery.

### **Part A: RIIO-1 Network Outputs information to be provided by the licensee**

- 7.6.3 By 31 July 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:
- a) any RIIO-1 Network Output in accordance with the relevant specifications; and
  - b) any RIIO-1 Materially Equivalent Outputs.
- 7.6.4 By 1 December 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:
- a) any RIIO-1 Justified Material Over-delivery; or
  - b) any RIIO-1 Justified Material Under-delivery.

### **Part B: Process for modifying the NOMs Incentive Methodology**

- 7.6.5 The Authority will modify the NOMs Incentive Methodology by direction.
- 7.6.6 Before making a direction under paragraph 7.6.5, the Authority will publish on the Authority's Website:
- a) the text of the proposed direction;
  - b) the reasons for the proposed direction; and
  - c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

**Part C: Process for directing the RIIO-1 Network Outputs term (NOCO)**

- 7.6.7 The Authority will assess the licensee's RIIO-1 Network Outputs delivery in accordance with the principles in Appendix 1, which are further clarified and supplemented by the NOMs Incentive Methodology.
- 7.6.8 Before directing the value of NOCO, the Authority will publish on the Authority's Website:
- a) the text of the proposed direction;
  - b) the reasons why it proposes to issue the direction; and
  - c) a period during which representations may be made on the proposed direction, which will not be less than 56 days.

**Appendix 1**

**Treatment of under-delivery and over-delivery of RIIO-1 Network Outputs**

<b>Incentives</b>	<b>Justified</b>	<b>Unjustified</b>
Over-delivery	<p>Cost of over-delivery will be included in the licensee's revenue.</p> <p>The financing cost incurred by the licensee in advancing investment will be reimbursed.</p> <p>Reward of 2.5 per cent of the additional costs associated with the material over-delivery.</p>	<p>Cost of over-delivery will be included in the licensee's revenue.</p> <p>The licensee will incur the financing cost of earlier investment.</p>
Under-delivery	<p>Cost of under-delivery will be excluded from the licensee's revenue.</p> <p>The licensee will benefit from the financing cost of delayed investment.</p>	<p>Cost of under-delivery will be excluded from the licensee's revenue.</p> <p>The benefit arising to the licensee from the financing cost of delayed investment will be clawed back.</p> <p>Penalty of 2.5 per cent of the avoided costs associated with the material under-delivery.</p>

## **Special Condition 7.7 RIIO-GT1 network innovation competition (NICF<sub>t</sub>)**

### **Introduction**

- 7.7.1 The purpose of this condition is to set out the process for deciding the term NICF<sub>t</sub> (the network innovation competition term). This contributes to the calculation of the LAR<sub>t</sub> term (the transportation owner legacy adjustment term), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 7.7.2 The NIC ran during the RIIO-GT1 price control period to fund innovative low carbon or environmental projects. Although it will no longer run for the licensee from 1 April 2021, this condition makes provision for arrangements that will enable the Authority to determine the value of NICF<sub>t</sub> and for arrangements relating to the governance and administration of the NIC Funding.
- 7.7.3 Parts A and B are supplemented by the relevant provisions of the NIC Governance Document.

### **Part A: The Funding Return Mechanism**

- 7.7.4 The Authority may direct how the Returned Project Revenues should be paid to customers through the Funding Return Mechanism, or where the Authority considers it appropriate, how they should be retained by the licensee.

### **Part B: The network innovation competition term (NICF<sub>t</sub>)**

- 7.7.5 In each Regulatory Year, in accordance with the appropriate provisions set out in the NIC Governance Document, the Authority will calculate, and then by direction given to the licensee, specify:
- a) the value of NICF<sub>t</sub> for the licensee;
  - b) the net amounts that are to be transferred between the licensee and other Gas Transporter Licensees in order to ensure that each Gas Transporter Licensee receives an amount (if any) equal to the proportion of the NIC Funding for Regulatory Year t that is attributable to its Eligible NIC Projects (adjusted to take into account the amount of any Funding Return); and
  - c) the manner in which, and the timescale over which, the net amounts referred to in sub paragraph (b) are to be transferred.

### **Part C The NIC Governance Document**

- 7.7.6 The licensee must comply with the NIC Governance Document.

7.7.7 The Authority will amend the NIC Governance Document by direction.

7.7.8 The Authority will publish the NIC Governance Document on the Authority's Website.

7.7.9 The NIC Governance Document makes and will continue to make provision about:

- a) the process and procedures that will be in place for the assessment, approval and financing of project funding (where necessary);
- b) arrangements to ensure that relevant matters the licensee has learned from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees;
- c) the nature of the reporting obligations in respect of such 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 NIC Governance Document);
- d) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
- e) any other matters relating to the governance of the NIC.

#### **Part D: Procedure for revising the NIC Governance Document**

7.7.10 Before amending the NIC Governance Document by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended NIC Governance Document;
- b) the date on which the Authority intends the amended NIC Governance Document to come into effect;
- c) the reasons for the amendments to the NIC Governance Document; and
- d) a period during which representations may be made on the amendments to the NIC Governance Document, which will not be less than 28 days.

**Special Condition 7.8 Close out of the RIIO-GT1 stakeholder satisfaction output (SSCO<sub>t</sub>)**

**Introduction**

- 7.8.1 The purpose of this condition is to provide for the value of the term SSCO<sub>t</sub> (the RIIO-GT1 stakeholder satisfaction output close out term). This contributes to the calculation of the term LAR<sub>t</sub> (the transportation owner legacy adjustments term), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 7.8.2 The effect of this condition is to close out the RIIO-GT1 stakeholder satisfaction output, such that revenue in the Regulatory Years commencing 1 April 2021 and 1 April 2022 reflects the licensee's performance in relation to that output in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

**Part A: Formula for calculating the RIIO-T1 stakeholder satisfaction output close out term (SSCO<sub>t</sub>)**

- 7.8.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022 the value of SSCO<sub>t</sub> has the value of the SSO<sub>t</sub> term derived in accordance with Part A of Special Condition 2C (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021.
- 7.8.4 This value of SSCO<sub>t</sub> for the Regulatory Years commencing on or after 1 April 2023 is zero.

**Part B: Amendment to the Stakeholder Engagement Reward Guidance**

- 7.8.5 The Authority will amend the Stakeholder Engagement Reward Guidance by direction.
- 7.8.6 Before amending the Stakeholder Engagement Reward Guidance by direction, the Authority will publish on the Authority's Website:
- a) the text of the amended Stakeholder Engagement Reward Guidance;
  - b) the date on which the Authority intends the amended Stakeholder Engagement Reward Guidance to come into effect;
  - c) the reasons for the amendments to the Stakeholder Engagement Reward Guidance; and

- d) a period during which representations may be made on the amendments to the Stakeholder Engagement Reward Guidance, which will not be less than 28 days.

### **Special Condition 7.9 Legacy net RAV additions (LRAV<sub>t</sub>)**

#### **Introduction**

- 7.9.1 This condition explains the process the Authority will follow when directing values for the term LRAV<sub>t</sub> (the legacy RIIO-1 net RAV additions term). This contributes to the calculation of the term DPN<sub>t</sub> (the depreciation term as calculated by the GT2 Price Control Financial Model), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 7.9.2 The effect is to reflect the close out of the RIIO-GT1 Price Control Financial Model, in respect of legacy net RAV additions.

#### **Part A: Authority assessment and direction**

- 7.9.3 The Authority will direct revisions to LRAV<sub>t</sub>, coinciding with the Annual Iteration Process and following implementation of closeout methodologies set out in the GT2 Price Control Financial Handbook.
- 7.9.4 Before making a direction under paragraph 7.9.3 the Authority will publish on the Authority's Website:
  - a) the text of the proposed direction;
  - b) the reasons for the proposed direction; and
  - c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## **Special Condition 7.10 System operator legacy adjustments (SOLAR<sub>t</sub>)**

### **Introduction**

7.10.1 The purpose of this condition is to calculate the term SOLAR<sub>t</sub> (the SO legacy adjustments term), which in turn feeds into SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

### **Part A: Formula for calculating the SO legacy adjustments term (SOLAR<sub>t</sub>)**

7.10.2 The value of the SOLAR<sub>t</sub> term is derived in accordance with the following formula:

$$SOLAR_t = SOLMOD_t + SOLK_t + SOLTRU_t + LCMCA_t + LCMIR_t + LTSS_t$$

where:

*SOLMOD<sub>t</sub>* is derived in accordance with Special Condition 7.11 (System operator legacy MOD);

*SOLK<sub>t</sub>* is derived in accordance with Special Condition 7.12 (System operator legacy K correction);

*SOLTRU<sub>t</sub>* is derived in accordance with Special Condition 7.13 (System operator legacy TRU term);

*LCMCA<sub>t</sub>* is derived in accordance with Special Condition 7.15 (Close out of the RIIO-GT1 Constraint Management cost adjustment);

*LCMIR<sub>t</sub>* is derived in accordance with Special Condition 7.14 (Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue); and

*LTSS<sub>t</sub>* is derived in accordance with Special Condition 7.16 (Close out of the RIIO-GT1 Transportation Support Services cost adjustment).

**Special Condition 7.11 System operator legacy MOD (SOLMOD<sub>t</sub>)**

**Introduction**

7.11.1 The purpose of this condition is to set out the process the Authority will follow when directing values for the term SOLMOD<sub>t</sub> (the system operator legacy MOD term). This contributes to the calculation of the term SOLAR<sub>t</sub> (the system operator legacy adjustments term), which in turn feeds into the SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.11.2 The effect of this condition is to reflect the close out of the GT1 Price Control Financial Model.

**Part A: Authority Assessment and direction**

7.11.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022 the value of SOLMOD<sub>t</sub> is derived in accordance with the following formula:

$$SOLMOD_t = SOMOD_t \times RPIF_t$$

where:

*SOMOD<sub>t</sub>* has the value directed by the Authority coinciding with the Annual Iteration Process, related to revisions to the GT1 Price Control Financial Model, performed in accordance with Chapter 8 (legacy) of the GT2 Price Control Financial Handbook; and

*RPIF<sub>t</sub>* has the value of RPIF<sub>t</sub> derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

7.11.4 For the Regulatory Year commencing on 1 April 2023, the value of SOLMOD<sub>t</sub> is derived in accordance with the following formula:

$$SOLMOD_t = SOCOA \cdot CWACC_t \cdot \frac{PI_t}{PI_{2018/19}}$$

where:

*SOCOA* means the System Operator closeout adjustment in 2018/19 prices, and has the value directed by the Authority in accordance with Chapter 8 (Legacy) of the GT2 Price Control Financial Handbook;

*CWACC<sub>t</sub>* means compound WACC and has the value derived in accordance with Part B of Special Condition 7.3 (Transportation owner legacy MOD );

*Pl<sub>t</sub>* has the value given to it by Part F of Special Condition 2.1; and

*Pl<sub>2018/19</sub>* has the value given to it by Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2018.

For Regulatory Years commencing 1 April 2024 and 1 April 2025 there are no LMOD<sub>t</sub> values.

7.11.5 Before making a direction under paragraphs 7.11.3 and 7.11.4 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## **Special Condition 7.12 System operator legacy K correction (SOLK<sub>t</sub>)**

### **Introduction**

7.12.1 The purpose of this condition is to calculate the term SOLK<sub>t</sub> (the system operator legacy correction term). This contributes to the calculation of the term SOLAR<sub>t</sub> (the system operator legacy adjustments term), which in turn feeds into the SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.12.2 The effect of this condition is to close out the RIIO-GT1 correction term such that revenue in the Regulatory Year commencing on 1 April 2021 reflects correction values relating to the Regulatory Year commencing on 1 April 2019.

### **Part A: Formula for calculating the system operator legacy correction term (SOLK<sub>t</sub>)**

7.12.3 For the Regulatory Year commencing on 1 April 2021, the value of SOLK<sub>t</sub> is derived in accordance with the following formula:

$$SOLK_t = -SOK_t$$

where:

*SOK<sub>t</sub>* has the value of *SOK<sub>t</sub>* as determined in accordance with Part E of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021.

7.12.4 The value of SOLK<sub>t</sub> for the Regulatory Years commencing on or after 1 April 2022 is zero.

**Special Condition 7.13 System operator legacy TRU term (SOLTRU<sub>t</sub>)**

**Introduction**

7.13.1 The purpose of this condition is to calculate the term SOLTRU<sub>t</sub> (the system operator legacy TRU term). This contributes to the calculation of the term SOLAR<sub>t</sub> (the system operator legacy adjustments term), which in turn feeds into the SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.13.2 The effect of this condition is to close out the RIIO-GT1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 to 1 April 2022 reflects SOTRU adjustments relating to the Regulatory Years commencing on 1 April 2017 to 1 April 2020 respectively.

**Part A: Formula for calculating the system operator legacy TRU term (SOLTRU<sub>t</sub>)**

7.13.3 For the Regulatory Years commencing on 1 April 2021 to 1 April 2022, the value of LTRU<sub>t</sub> is derived in accordance with the following formula:

$$SOLTRU_t = SOTRU_t \cdot RPIF_t$$

where:

*SOTRU<sub>t</sub>* is derived in accordance with Part D of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021; and

*RPIF<sub>t</sub>* has the value of RPIF<sub>t</sub> as determined in accordance with Part D of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021.

7.13.4 For the Regulatory Years commencing on 1 April 2023 to 1 April 2024, the value of SOLTRU<sub>t</sub> is derived in accordance with the following formula:

$$SOLTRU_t = \left[ \frac{RPIA_{t-2} - RPIF_{t-2}}{RPIA_{t-2}} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot SOREV_{t-2} \cdot \frac{PI_t}{PI_{2009/10}}$$

where:

*RPIA<sub>t</sub>* has the value given to it by Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021;

$RPIF_t$	has the value of $RPIF_t$ as determined in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.
$SOREV_{t-2}$	has the value of $SOREV_{t-2}$ as determined in accordance with Part D of Special Condition 3A (NTS System Operation – Revenue Restriction) of this licence as in force on 31 March 2021. For this calculation the component PU (opening base demand revenue allowance) is zero.
$LPVF_t$	has the value derived in accordance with paragraph 7.13.5.
$PI_t$	has the value given to it by Part F of Special Condition 2.1; and
$PI_{2009/10}$	has the value given to it by Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2009.

7.13.5 The value of  $LPVF_t$  is derived in accordance with the following formula:

$$LPVF_t = 1 + WACC_t$$

where:

$WACC_t$  means vanilla weighted average cost of capital, derived in accordance with the GT2 Price Control Financial Handbook.

7.13.6 The value of  $SOLTRU_t$  for Regulatory Years commencing on or after 1 April 2025 is zero.

**Special Condition 7.14 Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue (LCMIR<sub>t</sub>)**

**Introduction**

7.14.1 The purpose of this condition is to calculate the term LCMIR<sub>t</sub> (the RIIO-GT1 Constraint Management incentive revenue close-out term). This contributes to the calculation of the SOLAR<sub>t</sub> term (the system operator legacy adjustments term), which in turn feeds into SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.14.2 The effect of this condition is to close out the RIIO-GT1 incentive in respect of Entry Capacity Constraint Management and Exit Capacity Constraint Management, such that revenue in Regulatory Years commencing 1 April 2021 and 1 April 2022 reflects the licensee's performance under that incentive in the Regulatory Years commencing 1 April 2019 and 1 April 2020 respectively.

**Part A Formula for calculating the RIIO-GT1 Constraint Management incentive revenue close-out term (LCMIR<sub>t</sub>)**

7.14.3 For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LCMIR<sub>t</sub> is derived in accordance with the following formula:

$$LCMIR_t = R1CMIR_t \cdot RPIF_t$$

where:

*R1CMIR<sub>t</sub>* Has, for the regulatory year commencing on 1 April 2021, the value of CMIR<sub>t</sub> derived in accordance with Part F of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) of this licence as in force on 31 March 2021.

For the Regulatory Year commencing on 1 April 2022 has the value of CMIR<sub>t</sub> derived in accordance with Part F of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) of this licence as in force on 31 March 2021 reflecting a CMOpPMT-2 value of £-(minus)2.629m

*RPIF<sub>t</sub>* has the value of RPIF<sub>t</sub> as determined in accordance with Part D of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021.

7.14.4 For the Regulatory Years commencing on or after 1 April 2023, the value of LCMIR<sub>t</sub> is zero.

**Special Condition 7.15 Close out of the RIIO-GT1 Constraint Management cost adjustment (LCMCA<sub>t</sub>)**

**Introduction**

7.15.1 The purpose of this condition is to calculate the term LCMCA<sub>t</sub> (the RIIO-GT1 Constraint Management cost adjustment close-out term). This contributes to the calculation of the SOLAR<sub>t</sub> term (the system operator legacy adjustments term), which in turn feeds into SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.15.2 The effect of this condition is to close out the RIIO-GT1 adjustment in respect of Entry Capacity Constraint Management and Exit Capacity Constraint Management costs, such that revenue in the Regulatory Years commencing 1 April 2021 and 1 April 2022 reflects the appropriate adjustment for costs in Regulatory Years commencing 1 April 2019 and 1 April 2020 respectively.

**Part A: Formula for calculating the RIIO-GT1 Constraint Management cost adjustment close-out term (LCMCA<sub>t</sub>)**

7.15.3 For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LCMCA<sub>t</sub> is derived in accordance with the following formula:

$$LCMCA_t = R1CMCA_t \cdot RPIF_t$$

where:

*R1CMCA<sub>t</sub>* has the value of CMCA<sub>t</sub> derived in accordance with Part G Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) of this licence as in force on 31 March 2021; and

*RPIF<sub>t</sub>* has the value of RPIF<sub>t</sub> as determined in accordance with Part D of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021.

7.15.4 For the Regulatory Years commencing on or after 1 April 2023, the value of LCMCA<sub>t</sub> is zero.

**Special Condition 7.16 Close out of the RIIO-GT1 Transportation Support Services adjustment (LTSS<sub>t</sub>)**

**Introduction**

7.16.1 The purpose of this condition is to calculate the term LTSS<sub>t</sub> (the RIIO-GT1 transportation support services adjustment close out term). This contributes to the calculation of the SOLAR<sub>t</sub> term (the system operator legacy adjustments term), which in turn feeds into SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.16.2 The effect of this condition is to close out the RIIO-GT1 transportation support services adjustment, such that revenue in the Regulatory Years commencing 1 April 2021 and 1 April 2022 reflects the appropriate adjustment for costs in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

**Part A: Formula for calculating the RIIO-GT1 transportation support services adjustment close-out term (LTSS<sub>t</sub>)**

7.16.3 For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LTSS<sub>t</sub> has the value of TSS<sub>t</sub> as calculated in accordance with Part A of Special Condition 3C (NTS Transportation Support Services) of this licence as in force on 31 March 2021.

7.16.4 For the Regulatory Years commencing on or after 1 April 2023, the value of LTSS<sub>t</sub> is zero.

## **Special Condition 7.17 System operator legacy net RAV additions (SOLRAV<sub>t</sub>)**

### **Introduction**

7.17.1 This condition explains the process the Authority will follow when directing values for the term SOLRAV<sub>t</sub> (the SO legacy RIIO-1 net RAV additions term). This contributes to the calculation of the term SODPN<sub>t</sub> (the SO depreciation term as calculated by the GT2 Price Control Financial Model), which in turn feeds into the SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).

7.17.2 The effect is to reflect the close out of the RIIO-GT1 Price Control Financial Model in respect of SO legacy net RAV additions.

### **Part A: Authority assessment and direction**

7.17.3 The Authority will direct revisions to SOLRAV<sub>t</sub>, coinciding with the Annual Iteration Process and following implementation of closeout methodologies set out in the GT2 Price Control Financial Handbook.

7.17.4 Before making a direction under paragraph 7.17.3 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## **CHAPTER 8 GOVERNANCE**

### **Special Condition 8.1 Governance of the GT2 Price Control Financial Instruments**

#### **Introduction**

8.1.1 The purpose of this condition is to establish:

- a) the GT2 Price Control Financial Instruments; and
- b) a robust and transparent change control framework for the GT2 Price Control Financial Instruments.

#### **Part A: The GT2 Price Control Financial Instruments**

8.1.2 Each of the following GT2 Price Control Financial Instruments forms part of this condition:

- a) the GT2 Price Control Financial Handbook; and
- b) the GT2 Price Control Financial Model.

#### **Part B: Assessment of the likely impact of an intended modificationModification of the GT2 Price Control Financial Instruments**

8.1.3 The Authority may direct modifications to the GT2 Price Control Financial Instruments under this Part at any time during the Price Control Period where:

- a) it becomes aware of a modification that will improve the functionality or clarity of the GT2 Price Control Financial Instruments; and
- b) the modification will have either:
  - i. no impact; or
  - ii. an impact below the Materiality Threshold on the licensee's Allowed Revenue or SO Allowed Revenue.

8.1.4 For the purposes of paragraph 8.1.3(b), it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue or SO Allowed Revenue

8.1.5 The following categories of modifications may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;

- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions of this licence such as the addition or removal of PCFM Variable Values; and
- (e) correction of manifest errors; such as discrepancies between the GT2 Price Control Financial Instruments and between the GT2 Price Control Financial Instruments and the other special conditions of this licence.

### **Part C: Circumstances in which a modification may be made**

8.1.6 Before making a direction under paragraph 8.1.3, the Authority will:

- a) consider any views expressed and representations made by the GT2 Price Control Financial Model Working Group in relation to modifications of the type set out in paragraphs 8.1.5(a) to (d); and
- b) publish on the Authority's Website:
  - i. the text of the proposed direction;
  - ii. the reasons for the proposed direction, including why the Authority believes that the modification meets the requirements of paragraphs 8.1.3 and 8.1.5 ; and
  - iii. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

8.1.7 A direction under paragraph 8.1.3 will set out:

- a) the modifications to the GT2 Price Control Finance Instruments; and
- b) the date from which it is to have effect or the mechanism by which that date is to be determined.

### **Part D: Availability and updating of GT2 Price Control Financial Instruments**

8.1.8 This Part has effect in relation to the publication and availability of the GT2 Price Control Financial Handbook, and the GT2 Price Control Financial Model.

- 8.1.9 The Authority will ensure that any modifications of the GT2 Price Control Financial Handbook, whether under Part B or otherwise, are promptly incorporated into a consolidated version of the GT2 Price Control Financial Handbook maintained on the Authority's Website.
- 8.1.10 The Authority will ensure that any modifications of the GT2 Price Control Financial Model, whether under Part B or otherwise, are promptly incorporated into a consolidated version of the GT2 Price Control Financial Model maintained on the Authority's Website.
- 8.1.11 Without limiting the general effect of paragraph 8.1.10, the Authority will, by no later than 30 November prior to each Regulatory Year:
- a) publish on the Authority's Website, in Microsoft Excel ® format, the version of the GT2 Price Control Financial Model that will be used to calculate and publish the value of the terms  $ADJR_t$  and  $AR_t$  in accordance with the calculation set out in Part C of Special Condition 2.1 (Transportation owner revenue restriction) and  $SOADJR_t$  and  $SOAR_t$  in accordance with the calculation set out in Part B of Special Condition 2.1 (Revenue restriction);
  - b) ensure that the electronic name of the file is "GT2 PCFM" followed by "November 20XX" where 20XX represents the calendar year containing the month of November prior to the Regulatory Year;
  - c) ensure that the words "GT2 Price Control Financial Model for the Annual Iteration Process that will take place by 30 November" followed by the preceding Regulatory Year expressed in the format 20XX/XX are included as text within the file itself; and
  - d) publish an up-to-date schedule of any modifications that have been made to the GT2 Price Control Financial Model, whether under Part B or otherwise, up to and including the date of publication.
- 8.1.12 The first Regulatory Year in which the Authority will publish a version of the GT2 Price Control Financial Model on the Authority's Website for the purposes of paragraph 8.1.11 will be Regulatory Year 2021/22 and the last Regulatory Year will be 2024/25.

## **Special Condition 8.2 Annual Iteration Process for the GT2 Price Control Financial Model**

### **Introduction**

- 8.2.1 The purpose of this condition is to set out the steps of the Annual Iteration Process that will be carried out by the licensee and the Authority each year in relation to the GT2 Price Control Financial Model, in order to calculate and publish the value of the terms  $ADJR_t$  and  $AR_t$  in accordance with the calculation set out in Special Condition 2.1 (Transportation owner revenue restriction) and  $SOADJR_t$  and  $SOAR_t$  in accordance with the calculation set out in Special Condition 2.3 (System operator revenue restriction).
- 8.2.2 This condition also explains the process the Authority will follow in issuing and amending the PCFM Guidance.

### **Part A: Steps comprising the Annual Iteration Process**

- 8.2.3 The paragraphs in this Part set out the steps that comprise the Annual Iteration Process.
- 8.2.4 Step 1: The licensee must, by 31 August prior to each Regulatory Year:
- a) use the version of the GT2 Price Control Financial Model published by the Authority in accordance with paragraph 8.1.12 or where there has been a republication, the version most recently published to complete the PCFM Variable Values table with the PCFM Variable Values in accordance with the PCFM Guidance;
  - b) run the macro on the “UserInterface” sheet of the GT2 Price Control Financial Model to calculate the value of the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$ , and  $SOAR_t$ ;
  - c) save the GT2 Price Control Financial Model; and
  - d) submit the GT2 Price Control Financial Model to the Authority.
- 8.2.5 Step 2: The Authority will, taking into account any decisions made by it in relation to PCFM Variable Values under Chapters 2 to 7 of this licence:
- a) review the GT2 Price Control Financial Model submitted by the licensee and confirm or amend any PCFM Variable Values; or
  - b) where the licensee has not complied with Step 1, complete the PCFM Variable Values table.

- 8.2.6 Step 3: The Authority will run the macro on the “UserInterface” sheet of the GT2 Price Control Financial Model to calculate the value of the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$ , and  $SOAR_t$ .
- 8.2.7 Step 4: The Authority will publish the value of the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$  and  $SOAR_t$  on the Authority's Website in accordance with Part B.
- 8.2.8 In relation to Step 1 in paragraph 8.2.4:
- a) where a PCFM Variable Value is not known at the time of submission, the licensee must calculate that value in accordance with the GT2 Price Control Financial Handbook or the PCFM Guidance, as applicable and otherwise provide its best estimate using the information available at the time; and
  - b) where any PCFM Variable Value relies on a third-party publication that ceases to be published or no longer contains the value required, the value from the most recent publication that did contain the value, or an alternate input agreed to by the Authority must be used.

**Part B: Publication of the value of the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$  and  $SOAR_t$**

- 8.2.9 The value of the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$ , and  $SOAR_t$  will be published by the Authority no later than 30 November prior to each Regulatory Year. The published or republished values for the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$  and  $SOAR_t$  must be used by the licensee when setting Network Charges in accordance with Special Condition 2.1 (Transportation owner revenue restriction) and Special Condition 2.3 (System operator revenue restriction).
- 8.2.10 The Authority may re-publish the values of the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$ , and  $SOAR_t$  by the February prior to the Regulatory Year  $t$ .
- 8.2.11 Before publishing or re-publishing the value of the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$ , and  $SOAR_t$ , the Authority will:
- a) send to the licensee:
    - i. a notice stating the values for the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$ , and  $SOAR_t$  that it proposes to publish; and
    - ii. a copy of the GT2 Price Control Financial Model, which will contain the data used to calculate the values proposed for the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$ , and  $SOAR_t$ ; and

- b) specify a period during which representations may be made, which will not be less than 14 days.

**Part C: What if the Annual Iteration Process is not completed by 30 November?**

8.2.12 If the Authority does not publish values for the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$ , and  $SOAR_t$  by 30 November prior to any Regulatory Year, then the Annual Iteration Process will not have been completed and the provisions set out in paragraphs 8.2.13 and 8.2.14 will apply.

8.2.13 The Authority will complete the Annual Iteration Process as soon as is reasonably practicable after 30 November by publishing values for the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$ , and  $SOAR_t$ .

8.2.14 In the intervening period (Between the 30 November and the date the values of the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$ , and  $SOAR_t$  are published under paragraph 8.2.13), the values of the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$ , and  $SOAR_t$  will be held to be equal to a value ascertained by:

- a) taking a copy of the GT2 Price Control Financial Model in its state following the last completed Annual Iteration Process or re-publication which, for the avoidance of doubt, will exclude the effect of any functional modifications under paragraph 8.1.3 of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments) made after the completion of that Annual Iteration Process;
- b) using the selection facilities on the “UserInterface” sheet contained in that copy of the GT2 Price Control Financial Model to select:
  - i. the name of the licensee;
  - ii. the Regulatory Year equating to the Regulatory Year  $t$ ;
- c) pressing the “Run for One” macro button on the “UserInterface” sheet; and
- d) recording the value of the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$ , and  $SOAR_t$  that are shown as output values in the “SavedResults” sheet.

**Part D: The final year of the GT2 Annual Iteration Process and other clarifications**

8.2.15 The last Regulatory Year in which there will be an Annual Iteration Process for the GT2 Price Control Financial Model is 2024/2025 for the purpose of determining the value of the terms  $ADJR_t$  and  $SOADJR_t$  for Regulatory Year 2025/26.

8.2.16 For the avoidance of doubt, neither:

- a) an Annual Iteration Process for the GT2 Price Control Financial Model carried out in accordance with this condition, including in particular the steps set out in Part A; nor
- b) a change to the Regulatory Year included in the name of and text within the GT2 Price Control Financial Model (as referred to at paragraphs 8.1.12 (b) and (c) of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments))

will constitute a modification of the GT2 Price Control Financial Model within the meaning of Part C of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments).

8.2.17 Where any PCFM Variable Values are revised for years earlier than Regulatory Year  $t$ , the effect of using those revised values in the Annual Iteration Process will, subject to a Time Value of Money Adjustment, be reflected in the updated calculation of the value of the terms  $ADJR_t$ ,  $AR_t$ ,  $SOADJR_t$  and  $SOAR_t$  for Regulatory Year  $t$  and, for the avoidance of doubt, it will not have any retrospective effect on a previously published value of the terms  $ADJR_t$ , and  $SOADJR_t$ .

#### **Part E: The PCFM Guidance**

8.2.18 The licensee must comply with the PCFM Guidance when completing the Annual Iteration Process.

8.2.19 The Authority will issue and amend the PCFM Guidance by direction.

8.2.20 The Authority will publish the PCFM Guidance on the Authority's Website by the PCFM functional change cut-off date set out in the GT2 Price Control Financial Handbook.

8.2.21 The PCFM Guidance will make provision about:

- a) instructions and guidance on how to populate the PCFM Variable Values for submission for an Annual Iteration Process;
- b) instructions and guidance on the process and timeframe for reporting and submitting the required data; and
- c) any requirements for supporting information, documentation or commentary that are to be submitted.

8.2.22 Before issuing the PCFM Guidance by direction the Authority will publish on the Authority's Website:

- a) the text of the proposed PCFM Guidance;
- b) the date on which the Authority intends the PCFM Guidance to come into effect;  
and
- c) a period during which representations may be made on the content of the PCFM Guidance, which will not be less than 28 days.

8.2.23 Before amending the PCFM Guidance by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended PCFM Guidance;
- b) the date on which the Authority intends the amended PCFM Guidance to come into effect;
- c) the reasons for the amendments to the PCFM Guidance; and
- d) a period during which representations may be made on the amendments to the PCFM Guidance, which will not be less than 28 days.

## **CHAPTER 9 GENERAL OBLIGATIONS**

### **Special Condition 9.1 Annual Environmental Report**

#### **Introduction**

- 9.1.1 This condition requires the licensee to prepare and publish an Annual Environmental Report.
- 9.1.2 The purpose of an Annual Environmental Report is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and in relation to the licensee's progress against its Environmental Action Plan Commitments.
- 9.1.3 This condition also explains the process the Authority will follow in issuing and amending Environmental Reporting Guidance, which the licensee must comply with when preparing its Annual Environmental Report.

#### **Part A: Requirement to prepare and publish an Annual Environmental Report**

- 9.1.4 The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance.
- 9.1.5 The licensee must publish an Annual Environmental Report for the preceding Regulatory Year on, or before, the date specified in the Environmental Reporting Guidance.
- 9.1.6 The licensee must ensure its Annual Environmental Report is readily accessible to the public from the licensee's website.

#### **Part B: Environmental Reporting Guidance**

- 9.1.7 The Authority will issue and amend Environmental Reporting Guidance by direction.
- 9.1.8 The Authority will publish Environmental Reporting Guidance on the Authority's Website.
- 9.1.9 The Environmental Reporting Guidance will set out how the licensee must prepare its Annual Environmental Report, including the following:
- a) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Annual Environmental Report;
  - b) the requirements for the structure and level of detail to be included in the Annual Environmental Report, including some of the data metrics to be used, as well as expectations about the level of explanatory text to be included; and

- c) the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.

9.1.10 Before issuing the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:

- a) the text of the proposed Environmental Reporting Guidance;
- b) the date on which the Authority intends the Environmental Reporting Guidance to come into effect; and
- c) a period during which representations may be made on the content of the Environmental Reporting Guidance, which will not be less than 28 days.

9.1.11 Before amending the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended Environmental Reporting Guidance;
- b) the date on which the Authority intends the amended Environmental Reporting Guidance to come into effect, which, unless agreed with the licensee, will not be before three months or the commencement of the next full reporting year, whichever is later;
- c) the reasons for the amendments to the Environmental Reporting Guidance;
- d) how the proposed reporting requirements provide an appropriate balance on costs of reporting and benefit of information created; and
- e) a period during which representations may be made on the amendments to the Environmental Reporting Guidance, which will not be less than 28 days.

## **Special Condition 9.2 Network Asset Risk Metric methodology**

### **Introduction**

9.2.1 The purpose of this condition is to set out the requirements on the licensee in respect of the NARM Methodology.

9.2.2 It also sets out the process for modifying the NARM Methodology.

### **Part A: Requirement to have a NARM Methodology**

9.2.3 The licensee must have in place and act in accordance with a NARM Methodology that facilitates the achievement of the NARM Objectives.

9.2.4 The NOMs Methodology in effect on 31 March 2021 is deemed to be the NARM Methodology in effect from 1 April 2021 until superseded.

### **Part B: The NARM Objectives**

9.2.5 The NARM Objectives are:

- a) to provide transparent, logical links between:
  - i. the Asset Data that the licensee collects through inspections, maintenance, and other asset management activities;
  - ii. the data that the licensee inputs into its Asset Management Systems;
  - iii. the licensee's asset management decisions; and
  - iv. where relevant, the licensee's whole system investment decisions;
- b) to enable the Authority to establish the licensee's Baseline Network Risk Outputs and to undertake an objective assessment of the licensee's Baseline Network Risk Output delivery;
- c) to enable the robust estimation of Current Monetised Risk, Forecast Monetised Risk, Single-year Monetised Risk, and Long-term Monetised Risk of asset failure for:
  - i. each NARM Asset Category;
  - ii. individual NARM Assets within each NARM Asset Category; and
  - iii. the NTS;
- d) to enable the robust estimation of the Current Monetised Risk and Long-term Monetised Risk benefits delivered, or expected to be delivered, through interventions on specific assets or groups of assets;
- e) to provide inputs to help explain and justify, through Cost-Benefit Analysis:

- i. the licensee's investment plans for managing and renewing its NARM Assets; and
  - ii. the licensee's outturn delivery of investment options;
- f) to enable the identification and quantification of drivers leading to changes in Monetised Risk over time;
- g) to enable the comparative analysis of Monetised Risk between:
  - i. different NARM Asset Categories and between individual NARM Assets on the NTS;
  - ii. geographic areas of, and NARM Assets within, the NTS;
  - iii. the NTS and other networks within the same sector;
  - iv. the NTS and networks outside Great Britain with similar assets should similar approaches as set out in the NARM Methodology be applied to estimate Monetised Risk for those networks; and
  - v. the NTS and Distribution Networks within Great Britain; and
- h) to enable the communication to the Authority and other interested parties of relevant information about the NTS in an accessible and transparent manner.

### **Part C: Modification of the NARM Methodology**

- 9.2.6 The licensee must, at least once every year, review the NARM Methodology to identify scope for modifications that would better facilitate the achievement of the NARM Objectives.
- 9.2.7 Where the licensee has identified scope for modifications that would better facilitate the achievement of the NARM Objectives, it must notify the Authority of the timeframes within which it will propose the relevant modifications to the NARM Methodology.
- 9.2.8 Where the licensee proposes a modification to the NARM Methodology, it must:
- a) consult with other Network Licensees to which a condition of equivalent effect to this condition applies and with any other interested parties, allowing them a period of at least 28 days within which to make any representations on the proposed modification; and
  - b) submit to the Authority a report containing:
    - i. a statement explaining the proposed modification to the NARM Methodology; and

- ii. an explanation of how, in the licensee's opinion, the proposed modification, if made, would better facilitate the achievement of the NARM Objectives;
- c) submit to the Authority a draft NARM Methodology that incorporates the proposed modification;
- d) submit to the Authority any relevant subsidiary or supporting documents, data files, or quantitative models;
- e) submit to the Authority a full and fair summary of any representations that were made to the licensee pursuant to sub-paragraph (a) and not withdrawn;
- f) submit to the Authority an explanation of any changes to the modification proposal that the licensee has made as a consequence of the representations received;
- g) submit to the Authority a presentation of the data and any other relevant information (including historical data, which should be provided, where reasonably practicable and relevant, for a period of at least ten years prior to the date of the modification proposal) the licensee has used for the purpose of developing the proposed modification;
- h) submit to the Authority a plan setting out how the licensee intends to rebase its Baseline Network Risk Outputs, if Rebasing is a necessary consequence of implementing the proposed modification; and
- i) submit to the Authority a timetable for the implementation of the proposed modification, including a date for submission of Rebased Baseline Network Risk Outputs, if necessary.

9.2.9 The Authority will by direction:

- a) approve the proposed modification;
- b) approve the proposed modification with amendments; or
- c) reject the proposed modification.

9.2.10 In the case of paragraph 9.2.9(a) or (b) the Authority may also direct the date by which the licensee must submit Rebased Baseline Network Risk Outputs in accordance with Special Condition 3.1 (Baseline Network Risk Outputs).

9.2.11 The licensee must implement the modification directed under paragraph 9.2.9(a) or (b) by such date as may be set out in that direction.

9.2.12 Before issuing a direction under paragraph 9.2.9, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the date on which the Authority intends the proposed direction to come into effect;
- c) the reasons why it proposes to issue the direction; and
- d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## **Special Condition 9.3 Price Control Deliverable Reporting Requirements and Methodology Document**

### **Introduction**

- 9.3.1 The purpose of this condition is to set out the assessment principles the Authority will apply in deciding whether to make a direction where an Evaluative PCD has not been Fully Delivered and in deciding the contents of such a direction.
- 9.3.2 This condition requires the licensee to report to the Authority on the delivery of its Evaluative PCDs and provides for the issuing and amending of the PCD Reporting Requirements and Methodology Document.

### **Part A: Evaluative PCD assessment principles**

- 9.3.3 In deciding whether to make a direction to adjust allowances where an Evaluative PCD has not been Fully Delivered and in deciding the contents of such a direction, the Authority will apply the following assessment principles:
- a) where an output is Fully Delivered With An Alternative Specification and the licensee demonstrates that any underspend against the associated allowances are attributable to Efficiency or Innovation, the Authority will not make any adjustment to the associated allowance;
  - b) where an output is Not Delivered, the Authority may direct a reduction to the associated allowance up to the total amount of the allowance, save that the Authority will allow the licensee the costs of undertaking reasonable and necessary work until the decision to not deliver the output, where the licensee demonstrates that such costs were reasonable, necessary, incurred efficiently and not otherwise funded by the special conditions of this licence;
  - c) where an output is Delayed, the Authority may direct a re-profiling of the associated allowance to match the profile of the actual delivery of work or expenditure, where re-profiling would have a material impact on allowances;
  - d) where the output is Partially Delivered or Partially Delivered With Alternative Specification, and:
    - i. the licensee demonstrates that any underspend against the associated allowances are attributable to Efficiency or Innovation; and
    - ii. the licensee provides a justified estimate of the proportion of the output or Consumer Outcome associated with the work delivered,

the Authority may direct an adjustment to the associated allowances only in accordance with the following formula:

*Adjustment to allowances = ((1 – proportion of output or Consumer Outcome delivered) \* associated allowance)*

- (e) where none of the circumstances described in sub-paragraphs (b) to (d) applies, the Authority may direct an adjustment to the associated allowances such as to allow only the efficient costs of any work carried out that contributes to the delivery of the output. When deciding on the value of any such adjustment, the Authority will:
- i. have due regard to the particular characteristics of the output; and
  - ii. have due regard to any factors that are outside of the licensee's control and that may have affected the ability of the licensee to Fully Deliver the output; and
  - iii. establish efficient costs using the following methods:
    - (AA) where these are available, using benchmarking against historical cost data; or
    - (BB) where historical cost data is not available, using bespoke engineering and cost assessment, employing qualitative techniques to supplement technical methods;
- (f) the Authority will not direct an increase to allowances for an Evaluative PCD that has not been Fully Delivered;
- (g) any adjustment to an associated allowance will proportion that allowance to Regulatory Years in accordance with the profile of actual expenditure reported by the licensee; and
- (h) the split between fast money and the RAV for any adjustments will be as set out in the GT2 Price Control Financial Model.

## **Part B: Reporting requirements**

9.3.4 The licensee must by 31 July in each Regulatory Year, or such later date directed by the Authority, send to the Authority a Basic PCD Report on each Evaluative PCD output for which the delivery date specified in the relevant licence condition was in the previous Regulatory Year.

- 9.3.5 On receipt of a Basic PCD Report, the Authority will decide whether to direct the licensee to submit to it a Full PCD Report.
- 9.3.6 The Authority will not direct the submission of a Full PCD Report where the Basic PCD Report demonstrates that the output has been Fully Delivered.
- 9.3.7 Where directed to do so by the Authority the licensee must send to the Authority a Full PCD Report.
- 9.3.8 The Authority will use the Basic PCD Report, Full PCD Report, responses to supplementary questions and any other relevant information to decide the delivery status of the outputs for the purposes of Part A in accordance with the definitions of those terms in Special Condition 1.1 (Interpretation and definitions). The Authority may decide to assign more than one delivery status to any output.

### **Part C: PCD Reporting Requirements and Methodology Document**

- 9.3.9 The licensee must comply with the PCD Reporting Requirements and Methodology Document when preparing a report required by Part B.
- 9.3.10 The Authority will issue and amend the PCD Reporting Requirements and Methodology Document by direction.
- 9.3.11 The Authority will publish the PCD Reporting Requirements and Methodology Document on the Authority's Website.
- 9.3.12 The PCD Reporting Requirements and Methodology Document will set out:
- a) how the licensee must prepare the reports required by Part B; and
  - b) further guidance about, and worked examples of, the methodology the Authority will use when deciding:
    - i. whether to direct a value to reduce allowances for Price Control Deliverables that have not been Fully Delivered; and
    - ii. the value to direct.
- 9.3.13 Before issuing the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
- a) the text of the proposed PCD Reporting Requirements and Methodology Document;
  - b) the date on which the Authority intends the PCD Reporting Requirements and Methodology Document to come into effect; and

- c) a period during which representations may be made on the content of the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

9.3.14 Before amending the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended PCD Reporting Requirements and Methodology Document;
- b) the date on which the Authority intends the amended PCD Reporting Requirements and Methodology Document to come into effect;
- c) the reasons for the amendments to the PCD Reporting Requirements and Methodology Document; and
- d) a period during which representations may be made on the amendments to the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

## **Special Condition 9.4 Re-opener Guidance and Application Requirements Document**

### **Introduction**

9.4.1 This condition requires the licensee to prepare applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.

9.4.2 This condition also explains the process the Authority will follow in issuing and amending the Re-opener Guidance and Application Requirements Document.

### **Part A: Requirement to comply with the Re-opener Guidance and Application Requirements Document**

9.4.3 The licensee must prepare any applications for Re-openers in accordance with any applicable provisions of the Re-opener Guidance and Application Requirements Document.

### **Part B: Re-opener Guidance and Application Requirements Document**

9.4.4 The Authority will issue and amend the Re-opener Guidance and Application Requirements Document by direction.

9.4.5 The Authority will publish the Re-opener Guidance and Application Requirements Document on the Authority's Website.

9.4.6 The Re-opener Guidance and Application Requirements Document will set out how the licensee must prepare its applications for Re-openers, including the following:

- a) the Re-openers to which the document applies;
- b) the level of detail required in the application;
- c) any requirement to publish the application;
- d) when it is appropriate to make redactions in published applications; and
- e) any requirement for assurance.

9.4.7 Before issuing the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:

- a) the text of the proposed Re-opener Guidance and Application Requirements Document;
- b) the date on which the Authority intends the Re-opener Guidance and Application Requirements Document to come into effect; and

- c) a period during which representations may be made on the content of the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.

9.4.8 Before amending the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended Re-opener Guidance and Application Requirements Document;
- b) the date on which the Authority intends the amended Re-opener Guidance and Application Requirements Document to come into effect;
- c) the reasons for the amendments to the Re-opener Guidance and Application Requirements Document; and
- d) a period during which representations may be made on the amendments to the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.

## **Special Condition 9.5 Digitalisation**

### **Introduction**

- 9.5.1 The purpose of this condition is to set out the licensee's obligations to:
- a) have a Digitalisation Strategy;
  - b) have a Digitalisation Action Plan;
  - c) update its Digitalisation Strategy and its Digitalisation Action Plan;
  - d) comply with the DSAP Guidance; and
  - e) comply with Data Best Practice Guidance.
- 9.5.2 This condition also sets out the process the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

### **Part A: Requirements of the Digitalisation Strategy**

- 9.5.3 The licensee must publish its Digitalisation Strategy on, or before, 31 March 2022.
- 9.5.4 The licensee must review the progress it has made against its Digitalisation Strategy and update its Digitalisation Strategy at least once every 2 years after 31 March 2022.
- 9.5.5 The licensee must:
- a) publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;
  - b) maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and
  - c) notify the Authority of any updates to the Digitalisation Strategy.

### **Part B: Requirements of the Digitalisation Action Plan**

- 9.5.6 The licensee must publish its Digitalisation Action Plan on, or before, 30 June 2021.
- 9.5.7 The licensee must review the progress it has made against and update its Digitalisation Action Plan at least once every 6 months after 30 June 2021.
- 9.5.8 The licensee must:
- a) publish its Digitalisation Action Plan, and updates to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;
  - b) maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and

- c) notify the Authority of any updates to the Digitalisation Action Plan.

### **Part C: DSAP Guidance.**

9.5.9 The licensee must comply with the DSAP Guidance when:

- a) preparing and updating its Digitalisation Strategy; and
- b) preparing and updating its Digitalisation Action Plan.

9.5.10 The Authority will issue and amend the DSAP Guidance by direction.

9.5.11 The Authority will publish the DSAP Guidance on the Authority's Website.

9.5.12 The DSAP Guidance will make provision about:

- a) how the licensee should work towards digitalisation;
- b) how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan how it intends to use Energy System Data to generate benefits for consumers and stakeholders and the specific actions it will take to achieve that outcome;
- c) the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:
  - i. the structure, content and level of detail of each;
  - ii. the types of activities that should be covered in each; and
  - iii. any required information associated with those activities; and
- d) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

### **Part D: Requirement to employ data best practice**

9.5.13 The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.

9.5.14 The Authority will issue and amend Data Best Practice Guidance by direction.

9.5.15 The Authority will publish Data Best Practice Guidance on the Authority's website.

9.5.16 Data Best Practice Guidance will make provision about how the Authority expects the licensee to comply with data best practice to generate benefits for consumers and stakeholders, including but not limited to ensuring services that involve Energy

System Data are designed to meet the needs of consumers and those who directly use the services.

**Part E: Process for issuing and amending guidance**

9.5.17 Before issuing DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:

- a) the text of the proposed guidance;
- b) the date on which the Authority intends the guidance to come into effect; and
- c) a period during which representations may be made on the content of the guidance, which will not be less than 28 days.

9.5.18 Before amending DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended guidance;
- b) the date on which the Authority intends the amended guidance to come into effect;
- c) the reasons for the amendments to the guidance; and
- d) a period during which representations may be made on the amendments to the guidance, which will not be less than 28 days.

## **Special Condition 9.6 Disapplication of Relevant Special Conditions**

### **Introduction**

9.6.1 The purpose of this condition is to enable the licensee to make a formal request for the disapplication of the Relevant TO Special Conditions or Relevant SO Special Conditions (in whole or in part) and for such provisions to be disapplied following a request in the circumstances specified.

### **Part A: Procedure for making a Disapplication Request**

9.6.2 The licensee may submit a Disapplication Request in writing to the Authority.

9.6.3 A Disapplication Request must:

- a) specify which of the Relevant TO Special Conditions or Relevant SO Special Conditions (or any part or parts of them) the request relates;
- b) provide a full statement of the licensee's reasons for making the request;
- c) contain such other information or analysis as the licensee considers sufficient to enable the Authority to fully assess the Disapplication Request; and
- d) state the Disapplication Date that the licensee proposes (which must not be earlier than the appropriate date mentioned in Part B).

9.6.4 A Disapplication Request may be submitted only in respect of a specified geographical area.

9.6.5 The Authority may, during the period of 28 days beginning with the date of receipt of a Disapplication Request, give notice to the licensee:

- a) specifying further information or analysis that the Authority reasonably considers is required in order to fully assess the Disapplication Request; and
- b) requesting the licensee to provide that information or analysis.

9.6.6 The licensee may withdraw a Disapplication Request at any time.

### **Part B: Date from which a disapplication may take effect**

9.6.7 The Disapplication Date specified in a Disapplication Request must be after the period of 18 months beginning with the date of the submission of the Disapplication Request, unless the Authority consents in writing to an earlier date.

9.6.8 If paragraph 9.6.5 applies, a Disapplication Request will be treated as submitted when that further information or analysis is received by the Authority and, in consequence the Disapplication Date set out in the Disapplication Request no longer

complies with paragraph 9.6.7, the Disapplication Date will be treated as being the earliest date that would comply with that paragraph.

### **Part C: Licensee's right to terminate under a Disapplication Request**

9.6.9 If the licensee has submitted to the Authority a Disapplication Request that complies with the requirements of Parts A and B, it may subsequently give the Authority a Disapplication Notice:

- a) in the circumstance described in Part D; or
- b) in the circumstance described in Part E.

9.6.10 In either case the Disapplication Notice may not take effect before the Disapplication Date or such earlier date to which the Authority may have consented under Part B.

### **Part D: Termination without involvement of the Competition and Markets Authority**

9.6.11 The circumstance referred to in paragraph 9.6.9(a) is that by the beginning of the period of six months ending with the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under section 23(7) of the Act to modify:

- a) the Relevant TO Special Conditions or Relevant SO Special Conditions (or any part or parts of them) to which the Disapplication Request applies; or
- b) this Condition so as to remove the licensee's right to give the Authority a Disapplication Notice in respect of the relevant Disapplication Request.

### **Part E: Termination after involvement of the Competition Commission**

9.6.12 The circumstance referred to in paragraph 9.6.9(b) is that the Authority has published a decision as described in paragraph 9.6.11(a) or 9.6.11(b) and:

- a) the licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority as provided for by section 23B of the Act; and
- b) the Competition and Markets Authority, acting under section 23E of the Act has, in respect of the provision to which the Disapplication Notice relates:
  - i. quashed the Authority's decision;
  - ii. neither remitted the matter back to the Authority under section 23E(2)(b) of the Act nor substituted its own decision for that of the Authority under section 23E(2)(c) of the Act; and

- c) no more than 30 days have elapsed since the date on which the Competition and Markets Authority quashed the decision in the circumstances described in paragraph 9.6.12(b)(i).

## **Special Condition 9.7 Directly Remunerated Services**

### **Introduction**

- 9.7.1 The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services under the special conditions of this licence.
- 9.7.2 The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of Allowed Revenue and SO Allowed Revenue.
- 9.7.3 This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

### **Part A: Licensee's obligation to exclude Directly Remunerated Services**

- 9.7.4 The licensee must exclude revenue derived from Directly Remunerated Services from TO Recovered Revenue and SO Recovered Revenue.
- 9.7.5 Directly Remunerated Services are:
- a) services that comply with the general principle set out in Part B; or
  - b) the services listed in Part C to the extent that they comply with the general principle in Part B; or
  - c) services that the Authority directs are to be treated as Directly Remunerated Services to the extent that such direction will comply with the general principle in Part B.
- 9.7.6 Services are not to be treated as Directly Remunerated Services if the Authority so directs to the extent that such direction will comply with the general principle in Part B.

### **Part B: Statement of general principle**

- 9.7.7 The general principle is that a service provided by the licensee as part of its Licensed Activity is to be treated as a Directly Remunerated Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 9.7.8.
- 9.7.8 The charges referred to in paragraph 9.7.7 are:

- a) NTS Transportation Owner Charges, under the provisions of Special Condition 2.1 (Transportation owner revenue restriction);
- b) NTS System Operation Charges, under the provisions of Special Condition 2.3 (System operator revenue restriction); and
- c) charges arising from any activity carried out under the provisions of Special Condition 7.7 (RIIO-GT1 network innovation competition) which results in Returned Royalty Income for the licensee.

### **Part C: Categories of Directly Remunerated Services**

9.7.9 The descriptions of categories of Directly Remunerated Services set out at paragraph 9.7.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs.

9.7.10 Directly Remunerated Services include the following services:

DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain gas pipes or plant, meters or other equipment necessary to provide any new connection or modify any existing connection to the Transportation System to which this licence relates, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8).

DRS2. Diversionary works under an obligation: This category consists of the relocating of any gas pipes or plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9 (Powers and duties of gas transporters) of the Act (for avoidance of doubt Pipeline Diversion Costs are not a Directly Remunerated Service).

DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line or electrical plant that forms part of the licensee's Transportation System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.

DRS4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any electric line or electrical plant that forms part of the licensee's Transportation System to carry, either directly or

indirectly (including by the incorporation of third party equipment), electronic information and data.

DRS5. Outage changes: (Not applicable to Gas Transmission).

DRS6. Emergency services: This category consists of the provision of emergency services under contracts entered into pursuant to the provisions of Standard Special Condition A41 (Emergency Services to or on Behalf of Another Gas Transporter) of this licence.

DRS7. PARCA activities: This category consists of the works relating to the initial investigations and assessment of technical options for the provision of Entry Capacity or Exit Capacity carried out by the licensee prior to entering into a PARCA, which may lead to the provision of a Phase 1 PARCA Works Report to the PARCA Applicant, or in the case of the provision of Entry Capacity or Exit Capacity at a point described in the Appendices to Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) as an interconnector, which may lead to the provision of a joint notice published under “European Interconnection Document Section E” of the Uniform Network Code.

DRS8. Independent System Operation: (Not applicable).

DRS9. Network Innovation Funding: (Not applicable).

DRS10. Value added services: (Not applicable).

DRS11. Top-up, standby, and enhanced system security: (Not applicable).

DRS12. Revenue protection services: (Not applicable).

DRS13. Metering services: (Not applicable).

DRS14. Smart meter roll-out rechargeable services: (Not applicable).

DRS15. Miscellaneous: This category consists of the provision of any other service (including the provision of gas pipes or plant) that:

- a) is for the specific benefit of any third party who requests it; and
- b) is not made available by the licensee as a normal part of its NTS Transportation Owner Activity or NTS System Operation Activity.

## **Part D: Procedure for issuing directions**

9.7.11 Before issuing a direction under Part A the Authority will consider the general principle in Part B.

9.7.12 Any direction that the Authority issues under Part A will set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.

## **Special Condition 9.8 Tax Reconciliation assurance statement**

### **Introduction**

9.8.1 This condition requires the licensee to send to the Authority an annual assurance statement in relation to the Tax Reconciliation template and sets out the form of that statement.

### **Part A: Assurance Statement**

9.8.2 The licensee must by 31 July in each Regulatory Year starting from 1 April 2023, send to the Authority an assurance statement, relating to Regulatory Year t-2 that:

- a) has been approved by resolution of the licensee's board of directors;
- b) is signed by a director of the licensee pursuant to that resolution in subparagraph (a); and
- c) is set out in the form prescribed in paragraph 9.8.3 or, where paragraph 9.8.4 applies, in the form prescribed in paragraph 9.8.5.

9.8.3 In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [*licensee*] ("the licensee") hereby certify that for Regulatory Year [*Regulatory Year t-2*], in their opinion:

- a) the adjusted notional tax allowance as shown in the Tax Reconciliation template represents a fair interpretation of the licensee's adjusted actual tax liability as shown in the licensee's Company Tax Return (CT600);
- b) the Tax Reconciliation has been submitted to the Office of Gas and Electricity Markets along with a copy of:
  - i. the licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;
  - ii. the licensee's most recently submitted Senior Accounting Officer (SAO2) certificate as per (b)i; and
  - iii. the licensee's published Tax Strategy;

- c) where appropriate, further information has also been provided to support and explain reconciling items in accordance with the PCFM Guidance;
- d) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
- e) reconciling differences have been appropriately explained and any remaining, unexplained difference is considered immaterial, in aggregate."

9.8.4 Where the licensee anticipates a material, unexplained variance to arise in the Tax Reconciliation as described in Chapter 6 of the GT2 Price Control Financial Handbook, the prescribed form for the assurance statement is set out in paragraph 9.8.5.

9.8.5 "In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [*licensee*] ("the licensee") hereby certify that for the Regulatory Year [*Regulatory Year t-2*], in their opinion:

- a) the adjusted notional tax allowance as shown in the Tax Reconciliation template does not represent a fair interpretation of the Licensee's adjusted actual tax liability as shown in the licensee's Company Tax Return (CT600);
- b) the Tax Reconciliation has been submitted to the Office of Gas and Electricity Markets along with a copy of:
  - i. the licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;
  - ii. the licensee's most recently submitted Senior Accounting Officer (SAO2) certificate as per (b)i; and
  - iii. the licensee's published Tax Strategy;
- c) where appropriate, further information has also been provided to support and explain reconciling items in accordance with the PCFM Guidance;
- d) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
- e) a notification has been given in writing to the Authority under Chapter 6 of the GT2 Price Control Financial Handbook."

**Special Condition 9.9 Allocation of revenues and costs for calculations under the price control in respect of the NTS Transportation Owner Activity and NTS System Operation Activity**

**Introduction**

- 9.9.1 This condition sets out how the licensee must allocate revenues and costs for the purposes of calculating its Allowed Revenue and SO Allowed Revenue in accordance with the Special Conditions in Chapter 2 (Revenue restriction).
- 9.9.2 This condition also requires the licensee to:
- a) have in place a methods statement that sets out the methods that the licensee will use in the allocation and attribution of revenues and costs; and
  - b) prepare and send to the Authority a methods report, which describes the manner in which, and the extent to which, the licensee has complied with the provisions of the methods statement.

**Part A: General principles of allocation and attribution**

- 9.9.3 Unless the Authority otherwise directs, any allocation or attribution of revenues, costs, assets, and liabilities performed by the licensee in order to calculate any of the values referred to in the Special Conditions contained within Chapter 2 must conform to the principles set out in paragraphs 9.9.4, 9.9.5, and 9.9.6.
- 9.9.4 Principle 1 is that the licensee must, so far as is reasonably practicable, allocate or attribute revenues, costs, assets, and liabilities in accordance with the activities which cause the revenues to be earned, the costs to be incurred, the assets to be acquired, or the liabilities to be incurred.
- 9.9.5 Principle 2 is that the licensee must perform its allocations and attributions on an objective basis and in a manner calculated not to unduly benefit itself or any other licensee or entity, affiliated or otherwise.
- 9.9.6 Principle 3 is that, so far as reasonably practicable, the licensee must perform all allocations and attributions on a consistent basis from one Regulatory Year to the next.

**Part B: Allocation and attribution as between principal activities**

- 9.9.7 To the extent relevant to its activities, the licensee must in so far as is reasonably practicable allocate or attribute all revenues earned and costs incurred by the Transportation Business to the following activities:

- a) the NTS Transportation Owner Activity;
- b) the NTS System Operation Activity; and
- c) any Directly Remunerated Services.

**Part C: Statement of the methods to be used by the licensee**

9.9.8 Unless the Authority otherwise directs, the licensee must, by no later than 31 July in each Regulatory Year, prepare and send to the Authority a statement in a form approved by the Authority that sets out the methods that the licensee intends to use in the allocation and attribution of revenues and costs.

9.9.9 The methods statement must, as a minimum, clearly distinguish between the allocation or attribution of revenues, costs, assets, and liabilities to each of the activities specified in Part B.

9.9.10 Where the basis of such allocations or attributions has changed from one Regulatory Year to the next, the methods statement must also indicate and explain how and why that basis has been changed.

9.9.11 The licensee must use reasonable endeavours to comply with the methods statement for the time being in force under this condition.

**Part D: Direction to re-allocate and re-attribute**

9.9.12 The licensee must re-allocate revenues earned by the licensee or re-attribute costs incurred by the licensee to the activities specified in Part B in accordance with any direction made by the Authority following receipt of the methods statement, so that the licensee's allocations and attributions comply with the principles set out in Part A.

**Part E: Preparation and submission of the methods report**

9.9.13 Unless the Authority otherwise consents, the licensee must, before the end of the period of 4 months beginning with the end of each Regulatory Year, prepare and send to the Authority a methods report that:

- a) describes the manner in which, and the extent to which, the licensee complied with the provisions of the methods statement and any direction made by the Authority under Part D in respect of that year; and
- b) states whether any modification should be made to the methods statement to reflect more closely the practice of the licensee.

9.9.14 The methods report must be accompanied by a report from an Appropriate Auditor that:

- a) sets out the procedures (which must have been approved by the Authority) that the Appropriate Auditor has carried out for the purposes of demonstrating the extent to which the licensee has properly prepared the methods report in accordance with the methods statement and any direction made under Part D; and
- b) gives an opinion as to the extent to which the licensee has properly prepared the methods report.

9.9.15 To the extent that the licensee earns revenues or incurs costs in the undertaking of De Minimis Business under Standard Special Condition A36 (Restriction on Activity and Financial Ring-Fencing), the licensee must report on those revenues and costs in accordance with this condition.

## **Special Condition 9.10 Long term network planning**

### **Introduction**

9.10.1 The purpose of this condition is to set out the licensee's obligations in relation to reporting on its long term network development plan.

9.10.2 Reporting on the long term development plan must take the form of a Long Term Development Statement and an Annual Network Capability Assessment Report.

### **Part A: Long Term Development Statement**

9.10.3 The licensee must prepare a Long Term Network Development Statement in each Regulatory Year.

9.10.4 The Long Term Network Development Statement must include, so far as is reasonably practicable, forecasts of:

- a) the likely use of the pipeline system to which this licence relates and any other pipeline system specified by the Authority by direction;
- b) the likely development of the system, facilities and other pipeline systems which the licensee expects from time to time to be taken into account in determining the charges for making connections to the pipeline system to which this licence relates and in pursuance of Transportation Arrangements;
- c) where such information is capable of being applied for the purpose of identifying and evaluating opportunities to:
  - i. connect a pipeline to the pipeline system to which this licence relates, or to another Gas Transporter Licensee's pipeline system;
  - ii. enter into transportation arrangements with the licensee; or
  - iii. connect to the pipeline system to which this licence relates, or another Gas Transporter Licensee's pipeline system, premises which would reasonably be expected to be supplied with gas at a rate exceeding 2,196,000 kilowatt hours a year.

9.10.5 The licensee must, subject to any requirement to comply with the listing rules (within the meaning of the Financial Services and Markets Act 2000) and with paragraph 7 below:

- a) send to the Authority a copy of the Long Term Development Statement by 31st December in each Regulatory Year;

- b) publish, in such form and manner as the Authority may direct, a summary of each Long Term Development Statement; and
- c) send a copy of the version prepared in accordance with paragraph 9.10.5(b) to any person who asks for one and makes such payment to 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.

9.10.6 In complying with the requirements of paragraph 9.10.5(b) and (c), the licensee must exclude, in so far as is reasonably practicable, any matter which relates to the affairs of a person where the publication of that matter would, or might, seriously and prejudicially affect their interests.

9.10.7 Any question arising under paragraph 9.10.6 as to whether the publication of some matter which relates to the affairs of a person would, or would have the potential to, seriously and prejudicially affect their interests is to be determined by the Authority.

#### **Part B: Annual Network Capability Assessment Report**

9.10.8 The licensee must prepare an Annual Network Capability Assessment Report in each Regulatory Year.

9.10.9 The licensee must send its Annual Network Capability Assessment Report to the Authority by 30 June in each Regulatory Year or such other date as the Authority may direct.

9.10.10 The Annual Network Capability Assessment Report must include, so far as is reasonably practicable:

- a) flow forecasts across all network Entry and Exit Zones;
- b) the level of physical capability for each of those Entry and Exit Zones;
- c) the level of capability that can economically and efficiently be delivered using commercial tools (either that the licensee has in place or where the potential costs of such commercial tools have been revealed to the licensee through a tender process) for each of those Entry and Exit Zones;
- d) an explanation of the changes to the level of physical capability levels resulting from changes to the installed operational assets; and
- e) a view of the required level of physical capability in 10 years' time.

## **Special Condition 9.11 Transmission Planning Code**

### **Introduction**

9.11.1 The purpose of this condition is to set out the licensee's obligations in relation to the Transmission Planning Code.

### **Part A: Transmission Planning Code obligation**

9.11.2 The licensee must have in place, implement and comply with the provisions of a Transmission Planning Code approved by the Authority.

### **Part B: Transmission Planning Code requirements**

9.11.3 The Transmission Planning Code must satisfy the requirements in this Part.

9.11.4 The first requirement is that the Transmission Planning Code must cover all material technical aspects relating to the planning and development of the pipeline system to which this licence relates that may have a material impact on persons connected to or using (or intending to connect to or use) that pipeline system.

9.11.5 The second requirement is that the Transmission Planning Code must include a methodology for determining the physical capability of the pipeline system to which this licence relates that specifies in detail how the licensee takes into account:

- a) its Entry Capacity release obligations pursuant to Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable) and its Exit Capacity release obligations pursuant to Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution);
- b) the amount of capacity that may technically be transferred or traded between NTS Entry Points;
- c) the impact of incremental gas flows on the capability of the pipeline system to which this licence relates at each NTS Entry Point and each NTS Exit Point; and
- d) the Statutory Network Security Standard.

9.11.6 The third requirement is that the Transmission Planning Code must include the detailed planning assumptions that the licensee uses in respect of:

- a) the likely developments it expects in the patterns of the supply of gas to, and the demand for gas from, the pipeline system to which the licence relates;

- b) the likely developments it expects in the levels of the supply of gas through and the demand for gas from that pipeline system; and
- c) the likely operation of the pipeline system to which the licence relates for any given pattern or level of supply of gas or demand for gas.

### **Part C: Review and revision of the Transmission Planning Code**

9.11.7 The licensee must, if requested by the Authority, and in any event not less than once in every period of two Regulatory Years, review the Transmission Planning Code to ensure it continues to meet the requirements in Part B.

9.11.8 The licensee must when carrying out the review required by paragraph 9.11.7 consult with interested parties likely to be materially affected by the review.

9.11.9 Before revising the Transmission Planning Code, and during the period of 28 days beginning with the date on which a review is completed, 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 Transmission Planning Code that the licensee having regard to the outcome of the review reasonably considers would lead to the Transmission Planning Code better fulfilling the requirements set out in Part B above; and
- c) any written representations, including any proposals for revising the Transmission Planning Code that have not been accepted by the licensee, that were received from interested parties during the consultation process and have not been withdrawn.

9.11.10 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 D: Derogations**

9.11.11 The licensee may apply to the Authority for derogation relieving the licensee of its obligations to implement or comply with the provisions of the Transmission Planning Code in respect of such parts of the pipeline system to which this licence relates as may be specified by the Authority by direction.

## **Special Condition 9.12 Licensee's Network Model**

### **Introduction**

9.12.1 The purpose of this condition is to set out the licensee's obligations in relation to the licensee's Network Model.

### **Part A: Network Model obligations**

9.12.2 The licensee must have in place a Network Model approved by the Authority.

9.12.3 The licensee must, if requested by the Authority, use reasonable endeavours to provide reasonable access, including remote access so far as necessary and reasonably practicable, to the Network Model that enables the Authority to operate the Network Model.

### **Part B: Network Model requirements**

9.12.4 The Network Model must satisfy the requirements in this Part.

9.12.5 The first requirement is that the Network Model must facilitate the licensee's compliance with its duty under section 9(1)(a) of the Act.

9.12.6 The second requirement is that the Network Model must be consistent with the Transmission Planning Code.

9.12.7 The third requirement is that the Network Model must be designed so as to demonstrate its consistency with the first and second requirements.

### **Part C: Review and revision of the Network Model**

9.12.8 The licensee must, if requested by the Authority, and in any event not less than once in every period of two Regulatory Years, review the Network Model to ensure that it continues to meet the requirements in Part B.

9.12.9 Before revising the Network Model and during the period of 28 days beginning with the date of completion of any review, the licensee must send to the Authority a report that sets out:

- a) the outcome of the review including supporting reasoning and analysis;
- b) how any proposed revisions to the Network Model would better achieve the requirements in Part B; and

- c) the date on which the licensee plans to implement any proposed revisions to the Network Model.

9.12.10 The Authority will:

- a) approve the revisions proposed by the licensee;
- b) approve the revisions proposed by the licensee and require the appointment of an independent expert to review the implementation of the revisions;
- c) reject the proposed revisions; or
- d) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

9.12.11 Where the Authority requires a review by an independent expert under paragraph 9.12.10(b), the licensee must, within the period of two months beginning with the date on which implementation of the revisions is completed, provide a copy of the independent expert's report to the Authority, confirming that the revisions have been implemented and that the Network Model is in use in its modified form.

#### **Part D: Provision and modification of Relevant Network Model Data**

9.12.12 The licensee must include in the Network Model the Relevant Network Model Data.

9.12.13 The licensee must:

- a) have in place a statement of procedures for modifying or updating the Relevant Network Model Data that is approved by the Authority;
- b) keep under review the procedures set out in that statement; and
- c) propose any revisions to those procedures that it considers should be made in the light of such review.

9.12.14 Before revising the procedures required by paragraph 9.12.13(a), the licensee must send to the Authority a report setting out:

- a) the proposed revisions; and
- b) the reasons for those proposed revisions.

9.12.15 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 E: Derogations**

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

**Special Condition 9.13 Capacity Requests, Baseline Capacity and Capacity Substitution**

**Introduction**

9.13.1 The purpose of this condition is to set out the licensee's obligation to:

- a) publish a notice of any requests for Firm Entry Capacity or Firm Exit Capacity;
- b) submit an associated notification to the Authority;
- c) maintain a table of instances of Entry Capacity Substitution and a table of instances of Exit Capacity Substitution;
- d) maintain a table of NTS Entry Points and NTS Exit Points along with associated information; and
- e) maintain a table of Zero Licence Baseline Entry Capacity Points and a table of Zero Licence Baseline Exit Capacity Points.

9.13.2 This condition also:

- a) sets out a process for approval of Entry Capacity Substitution or Exit Capacity Substitution;
- b) sets out requirements in relation to the treatment of Zero Licence Baseline Entry Capacity Points and Zero Licence Baseline Exit Capacity Points; and
- c) sets out Licence Baseline Entry Capacity and Licence Baseline Exit Capacity.

9.13.3 The effect of this condition is:

- a) to establish the requirements for requests for Firm Entry Capacity and Firm Exit Capacity, and
- b) to state the Licence Baseline Entry Capacity and Licence Baseline Exit Capacity levels and adjustments.

**Part A: Publishing notice of request**

9.13.4 Where the licensee receives a request for Firm Entry Capacity or Firm Exit Capacity, some or all of which constitutes Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity, the licensee must publish a notice on its website setting out where it intends to reserve that capacity, subject to the provisions of the appropriate statements maintained by the licensee under Special Condition 9.17 (Entry Capacity and Exit Capacity obligations and methodology statements) and 9.18 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes).

9.13.5 The notice must set out:

- a) each NTS Entry Point listed in Appendix 1 or NTS Exit Point listed in Appendix 2 at which the Firm Entry Capacity or Firm Exit Capacity respectively has been requested and the quantity of capacity requested there;
- b) a description of any other location, where there is no NTS Entry Point or NTS Exit Point listed in the licence, where the Firm Entry Capacity or Firm Exit Capacity has been requested and the quantity of capacity requested there; and
- c) whether any part of the Firm Entry Capacity or Firm Exit Capacity requested cannot be satisfied using Entry Capacity Substitution or Exit Capacity Substitution, and will be the subject of an application by the licensee for a direction under Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable).

**Part B: Notification to the Authority and approval of Entry Capacity Substitution or Exit Capacity Substitution**

9.13.6 Where the licensee has published a notice in accordance with Part A, the licensee must:

- a) notify the Authority; and
- b) where relevant, outline with the notification to the Authority any proposal to carry out Entry Capacity Substitution or Exit Capacity Substitution.

9.13.7 The Authority will within 28 days:

- a) approve the proposal to carry out Entry Capacity Substitution or Exit Capacity Substitution;
- b) reject the proposal; or
- c) request more information from the licensee and approve or reject the proposal within 28 days of receipt of information that the Authority considers satisfies its request.

9.13.8 Where the Authority takes no action under paragraph 9.13.7 the licensee may treat the proposals as approved.

9.13.9 The licensee's notification must include statements:

- a) confirming that the licensee has applied the methodologies in the relevant statements maintained by the licensee under Special Conditions 9.17 (Entry Capacity and Exit Capacity obligations and methodology statements) and 9.18

(Methodology to determine the release of Entry Capacity and Exit Capacity volumes), and, in relation to those methodologies, setting out:

- i. the input data that the licensee used in applying the methodologies;  
and
  - ii. the results of applying the methodologies;
- b) setting out any NTS Entry Point or NTS Exit Point at which the licensee proposes to provide Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity through Entry Capacity Substitution or Exit Capacity Substitution, as well as the volume of this capacity the licensee proposes to provide there, the relevant NTS Entry Points or NTS Exit Points where this capacity is being substituted from, and the volumes of this capacity being substituted away from each relevant NTS Entry Point or NTS Exit Point;
- c) setting out any NTS Entry Point or NTS Exit Point at which the licensee proposes to provide Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that is to be the subject of an application by the licensee for a direction under Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable) and the volume of this capacity the licensee proposes to provide there;
- d) setting out why the Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity referred to in paragraph 9.13.9(c) falls within the scope of paragraph 3.13.7 of Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable);
- e) setting out the first month in which Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity would be provided under paragraph 9.13.9(b) or (c) at the relevant NTS Entry Point or NTS Exit Point or in which Non-Incremental Obligated Entry Capacity or Non-Incremental Exit Capacity would cease to be provided at the relevant NTS Entry Point or NTS Exit Point; and
- f) setting out the date when the licensee's obligation to offer for sale any Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity under paragraph 9.13.9(b) and (c) would commence, and the date on which the licensee's obligation to offer for sale any volume of Non-Incremental Obligated Entry Capacity or Non-Incremental Obligated Exit Capacity being substituted away from the relevant NTS Entry Points or NTS Exit Points would cease.

### **Part C: Record of Entry Capacity Substitution and Exit Capacity Substitution**

9.13.10 The licensee must maintain and publish on its website:

- a) a table of instances of Entry Capacity Substitution; and
- b) a table of instances of Exit Capacity Substitution.

### **Part D: NTS Entry Points and NTS Exit Points**

9.13.11 The licensee must maintain and publish on its website a table of the NTS Entry Points and NTS Exit Points listed in Appendix 1 and Appendix 2 respectively, which includes quantities, for each point, of:

- a) Licence Baseline Entry Capacity and Licence Baseline Exit Capacity;
- b) Incremental Obligated Entry Capacity and Incremental Obligated Exit Capacity;
- c) Non-Incremental Obligated Entry Capacity and Non-Incremental Obligated Exit Capacity;
- d) total monthly capacity release obligation;
- e) reserved capacity;
- f) sold capacity; and
- g) unsold capacity.

### **Part E: Zero Licence Baseline entry and exit capacity points**

9.13.12 The licensee must maintain and publish on its website:

- a) a table of Zero Licence Baseline Entry Capacity Points; and
- b) a table of Zero Licence Baseline Exit Capacity Points.

9.13.13 The licensee must promptly inform the Authority of the creation of any new Zero Licence Baseline Entry Capacity Points or Zero Licence Baseline Exit Capacity Points.

9.13.14 Unless otherwise directed by the Authority, after recording the existence of a new Zero Licence Baseline Entry Capacity Point or Zero Licence Baseline Exit Capacity Point, the licensee must:

- a) conduct a consultation with network users on whether the new Zero Licence Baseline Entry Capacity Point or Zero Licence Baseline Exit Capacity Point should be treated as a Relevant Point on the licensee's pipeline system; and

- b) during the period of 14 days beginning with the date of the close of its consultation, submit to the Authority:
  - i. a report on the outcome of the consultation; and
  - ii. any written representations that were received from interested parties during the consultation process and were not withdrawn.

9.13.15 Following submission of the report the licensee must seek the Authority's approval for either:

- a) treating the new Zero Licence Baseline Entry Capacity Point or the new Zero Licence Baseline Exit Capacity Point as a Relevant Point on the licensee's pipeline system, or
- b) not treating it as a Relevant Point on the licensee's pipeline system.

**Appendix 1**  
**Licence Baseline Entry Capacity**

<b>NTS Entry Point</b>	<b>Type of entry</b>	<b>Baseline capacity (in GWh/d, as of 1 April 2021)</b>
Bacton (IP)	INTERCONNECTOR	1,297.80
Bacton (UKCS)	BEACH TERMINAL	485.60
Barrow	BEACH TERMINAL	340.01
Easington (including Rough)	BEACH TERMINAL	1,407.15
St. Fergus	BEACH TERMINAL	1,500.00
Teesside	BEACH TERMINAL	445.09
Theddlethorpe	BEACH TERMINAL	0.00
Glenmavis	STORAGE SITE	99.00
Partington	STORAGE SITE	201.43
Avonmouth	STORAGE SITE	179.30
Isle of Grain	LNG IMPORTATION TERMINAL	699.68
Dynevor Arms	STORAGE SITE	49.00
Hornsea	STORAGE SITE	233.10
Hatfield Moor (Storage)	STORAGE SITE	25.00

Hatfield Moor (Onshore)	ONSHORE FIELD	0.30
Cheshire	STORAGE SITE	556.27
Hole House Farm	STORAGE SITE	296.60
Wytch Farm	ONSHORE FIELD	3.30
Burton Point	ONSHORE FIELD	73.50
Milford Haven	LNG IMPORTATION TERMINAL	950.00
Barton Stacey	STORAGE SITE	172.60
Garton	STORAGE SITE	420.00
Burton Agnes (Caythorpe)	STORAGE SITE	90.00
Winkfield	STORAGE SITE	0.00
Blyborough (Welton)	STORAGE SITE	0.00
Tatsfield	STORAGE SITE	0.00
Albury	STORAGE SITE	0.00
Palmers Wood	STORAGE SITE	0.00
Fleetwood	STORAGE SITE	350.00
Portland	STORAGE SITE	0.00
Canonbie	ONSHORE FIELD	0.00
Moffat	INTERCONNECTOR	0.00
Murrow	BIOMETHANE PLANT	0.00

**Appendix 2**  
**Licence Baseline Exit Capacity**

<b>NTS Exit Point</b>	<b>Type of offtake</b>	<b>Baseline capacity (in GWh/d, as of 1 April 2021)</b>
Bacton	GDN (EA)	3.66
Brisley	GDN (EA)	3.11
Cambridge	GDN (EA)	0.00
Great Wilbraham	GDN (EA)	35.59
Matching Green	GDN (EA)	92.34

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Peterborough Eye (Tee)	GDN (EA)	23.35
Roudham Heath	GDN (EA)	25.47
Royston	GDN (EA)	2.70
Whitwell	GDN (EA)	161.87
West Winch	GDN (EA)	10.09
Yelverton	GDN (EA)	72.94
Alrewas (EM)	GDN (EM)	139.91
Blaby	GDN (EM)	13.40
Blyborough	GDN (EM)	79.33
Caldecott	GDN (EM)	11.08
Thornton Curtis (DN)	GDN (EM)	118.19
Drointon	GDN (EM)	74.27
Gosberton	GDN (EM)	15.23
Kirkstead	GDN (EM)	1.21
Market Harborough	GDN (EM)	9.48
Silk Willoughby	GDN (EM)	3.53
Sutton Bridge	GDN (EM)	1.08
Tur Langton	GDN (EM)	65.67
Walesby	GDN (EM)	0.97
Asselby	GDN (NE)	4.59
Baldersby	GDN (NE)	1.34
Burley Bank	GDN (NE)	20.31
Ganstead	GDN (NE)	23.15
Pannal	GDN (NE)	148.41
Paull	GDN (NE)	46.86
Pickering	GDN (NE)	9.38
Rawcliffe	GDN (NE)	5.05
Towton	GDN (NE)	80.73
Bishop Auckland	GDN (NO)	62.13

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Coldstream	GDN (NO)	2.85
Corbridge	GDN (NO)	0.17
Cowpen Bewley	GDN (NO)	52.12
Elton	GDN (NO)	60.21
Guyzance	GDN (NO)	2.19
Humbleton	GDN (NO)	0.25
Keld	GDN (NO)	1.89
Little Burdon	GDN (NO)	20.92
Melkinthorpe	GDN (NO)	2.43
Saltwick Pressure Controlled	GDN (NO)	9.22
Saltwick Volumetric Controlled	GDN (NO)	69.07
Thrintoft	GDN (NO)	6.92
Towlaw	GDN (NO)	0.57
Wetheral	GDN (NO)	29.11
Horndon	GDN (NT)	46.41
Luxborough Lane	GDN (NT)	165.30
Peters Green	GDN (NT)	151.86
Peters Green South Mimms	GDN (NT)	197.18
Winkfield (NT)	GDN (NT)	15.91
Audley (NW)	GDN (NW)	12.14
Blackrod	GDN (NW)	166.55
Ecclestone	GDN (NW)	21.14
Holmes Chapel	GDN (NW)	22.20
Lupton	GDN (NW)	16.23
Malpas	GDN (NW)	0.99
Mickle Trafford	GDN (NW)	29.21
Partington	GDN (NW)	87.63
Samlesbury	GDN (NW)	110.99
Warburton	GDN (NW)	110.65

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Weston Point	GDN (NW)	30.60
Aberdeen	GDN (SC)	23.54
Armadale	GDN (SC)	16.01
Balgray	GDN (SC)	15.72
Bathgate	GDN (SC)	24.18
Broxburn	GDN (SC)	60.44
Burnhervie	GDN (SC)	22.38
Careston	GDN (SC)	3.85
Drum	GDN (SC)	82.53
St Fergus	GDN (SC)	1.06
Glenmavis	GDN (SC)	145.79
Hume	GDN (SC)	1.68
Kinknockie	GDN (SC)	3.07
Langholm	GDN (SC)	0.25
Lauderhill	GDN (SC)	1.79
Lockerbie	GDN (SC)	7.44
Netherhowcleugh	GDN (SC)	0.32
Pitcairngreen	GDN (SC)	1.92
Soutra	GDN (SC)	10.73
Stranraer	GDN (SC)	0.93
Farningham	GDN (SE)	135.12
Farningham B	GDN (SE)	117.88
Shorne	GDN (SE)	67.06
Tatsfield	GDN (SE)	221.74
Winkfield (SE)	GDN (SE)	106.26
Braishfield A	GDN (SO)	107.28
Braishfield B	GDN (SO)	58.87
Crawley Down	GDN (SO)	0.00
Hardwick	GDN (SO)	123.70

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Ipsden	GDN (SO)	12.39
Ipsden 2	GDN (SO)	15.68
Mappowder	GDN (SO)	44.68
Winkfield (SO)	GDN (SO)	71.86
Aylesbeare	GDN (SW)	22.68
Cirencester	GDN (SW)	8.97
Coffinswell	GDN (SW)	5.15
Easton Grey	GDN (SW)	29.60
Evesham	GDN (SW)	6.57
Fiddington	GDN (SW)	25.95
Ilchester	GDN (SW)	34.96
Kenn	GDN (SW)	15.43
Littleton Drew	GDN (SW)	2.47
Lyneham (Choakford)	GDN (SW)	50.30
Pucklechurch	GDN (SW)	25.79
Ross (SW)	GDN (SW)	4.53
Seabank (DN)	GDN (SW)	60.74
Alrewas (WM)	GDN (WM)	128.48
Aspley	GDN (WM)	84.65
Audley (WM)	GDN (WM)	21.83
Austrey	GDN (WM)	87.84
Leamington	GDN (WM)	4.26
Lower Quinton	GDN (WM)	29.91
Milwich	GDN (WM)	21.64
Ross (WM)	GDN (WM)	16.52
Rugby	GDN (WM)	80.08
Shustoke	GDN (WM)	44.76
Stratford-upon-Avon	GDN (WM)	4.68
Maelor	GDN (WN)	57.56

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Dowlais	GDN (WS)	105.98
Dyffryn Clydach	GDN (WS)	40.23
Gilwern	GDN (WS)	82.68
Abson (Seabank Power Station phase I)	DC	36.59
Air Products (Teesside)	DC	0.00
Apache (Sage Black Start)	DC	0.00
Bacton (Great Yarmouth)	DC	20.04
Barking (Horndon)	DC	58.59
Barrow (Black Start)	DC	1.00
Billingham ICI (Terra Billingham)	DC	33.64
Bishop Auckland (test facility)	DC	0.00
Blackness (BP Grangemouth)	DC	27.29
Blyborough (Brigg)	DC	16.89
Blyborough (Cottam)	DC	19.30
Brine Field (Teesside) Power Station	DC	0.00
Burton Point (Connahs Quay)	DC	73.21
Caldecott (Corby Power Station)	DC	21.12
Carrington (Partington) Power Station	DC	45.00
Cockenzie Power Station	DC	0.00
Coryton 2 (Thames Haven) Power Station	DC	0.00
Centrax Industrial	DC	0.09
Deeside	DC	28.48
Didcot	DC	137.76
Drakelow Power Station	DC	0.00
Eastoft (Keadby Blackstart)	DC	2.38
Eastoft (Keadby)	DC	36.06
Eggborough Power Station	DC	0.00
Enron Billingham	DC	116.65
Epping Green (Enfield Energy, aka Brimsdown)	DC	19.60

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Ferny Knoll (AM Paper)	DC	1.08
Fordoun CNG Station	DC	0.00
Glasgoforest	DC	0.00
Goole (Guardian Glass)	DC	1.62
Gowkhall (Longannet)	DC	43.32
Grain Power Station	DC	0.00
Grain North Power Station	DC	0.00
Harwarden (Shotton, aka Shotton Paper)	DC	11.59
Hatfield Power Station	DC	0.00
Hirwaun Power Station	DC	0.00
Hollingsgreen (Hays Chemicals)	DC	3.25
Keadby 2 Power Station	DC	0.00
Kinneil CHP	DC	0.00
Langage Power Station	DC	41.62
Marchwood Power Station	DC	39.84
Medway (aka Isle of Grain Power Station NOT Grain Power)	DC	38.12
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC	95.34
Millbrook Power Station	DC	0.00
Moffat (Irish Interconnector)	INTERCONNECTOR	530.09
Palm Paper	DC	4.20
Pembroke Power Station	DC	121.20
Peterborough (Peterborough Power)	DC	23.28
Phillips Petroleum, Teesside	DC	3.69
Pickmere (Winnington Power, aka Brunner Mond)	DC	15.38
Rosecote Power Station (Barrow)	DC	14.73
Rosehill (Saltend Power Station)	DC	57.83
Progress Power Station	DC	0.00
Ryehouse	DC	38.66

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Saddle Bow (Kings Lynn)	DC	17.98
Saltend BPHP (BP Saltend HP)	DC	9.10
Saltholme Power Station	DC	7.31
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC	4.55
Seabank (Seabank Power Station phase II)	DC	19.10
Seal Sands TGPP	DC	0.00
Sellafield Power Station	DC	12.35
Shellstar (aka Kemira, not Kemira CHP)	DC	16.24
Shotwick (Bridgewater Paper)	DC	5.52
Spalding 2 (South Holland) Power Station	DC	0.00
St Fergus Segal	DC	0.00
St. Fergus (Shell Blackstart)	DC	2.58
St. Fergus (Peterhead)	DC	108.30
St. Neots (Little Barford)	DC	35.20
Stallingborough	DC	68.01
Stanford Le Hope (Coryton)	DC	38.60
Staythorpe	DC	82.00
Sutton Bridge Power Station	DC	42.64
Teesside (BASF, aka BASF Teesside)	DC	9.75
Teesside Hydrogen	DC	13.28
Terra Nitrogen (aka ICI, Terra Severnside)	DC	13.10
Thornton Curtis (Humber Refinery, aka Immingham)	DC	67.00
Thornton Curtis (Killingholme)	DC	91.00
Tilbury Power Station	DC	0.00
Tonna (Baglan Bay)	DC	48.65
Trafford Power Station	DC	0.00
Upper Neeston (Milford Haven Refinery)	DC	8.30
West Burton Power Station	DC	66.00

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Weston Point (Castner Kelner, aka ICI Runcorn)	DC	11.68
Weston Point (Rocksavage)	DC	40.77
Willington Power Station	DC	0.00
Wragg Marsh (Spalding)	DC	37.28
Wyre Power Station	DC	0.00
Zeneca (ICI Avecia, aka "Zenica")	DC	0.11
Bacton (Baird)	STORAGE SITE	0.00
Barrow (Bains)	STORAGE SITE	0.00
Barrow (Gateway)	STORAGE SITE	0.00
Caythorpe	STORAGE SITE	75.00
Deborah Storage (Bacton)	STORAGE SITE	0.00
Hatfield Moor Max Refill	STORAGE SITE	30.21
Hill Top Farm (Hole House Farm)	STORAGE SITE	0.00
Holford	STORAGE SITE	0.00
Hole House Max Refill	STORAGE SITE	119.58
Partington Max Refill	STORAGE SITE	2.41
Saltfleeby Storage (Theddlethorpe)	STORAGE SITE	0.00
Stublach (Cheshire)	STORAGE SITE	0.00
Glenmavis Max Refill	STORAGE SITE	1.62
Barton Stacey Max Refill (Humbly Grove)	STORAGE SITE	100.94
Avonmouth Max Refill	STORAGE SITE	2.30
Dynevor Max Refill	STORAGE SITE	2.61
Garton Max Refill (Aldbrough)	STORAGE SITE	325.51
Hornsea Max Refill	STORAGE SITE	44.79
Rough Max Refill	STORAGE SITE	370.48
Bacton (exit) IP	INTERCONNECTOR	651.68

## **Special Condition 9.14 Prohibited procurement activities**

### **Introduction**

9.14.1 The purpose of this condition is to set out the restriction on the licensee regarding the acquisition of capacity rights, gas or gas derivatives.

9.14.2 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: Prohibited procurement activities obligation**

9.14.3 Subject to paragraph 9.14.4, the licensee must not either on its own account or on behalf of:

- a) any Affiliate or Related Undertaking of the licensee; or
- b) any other business operated by the holder of this licence or its Affiliates or Related Undertakings under a separate licence under section 7 of the Act 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 must procure that anyone specified in sub-paragraphs (a) and (b) 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).

9.14.4 The prohibition in paragraph 9.14.3 will not apply if the transactions referred to in paragraph 9.14.3 are undertaken:

- 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 9.14.3(a) and (b) other than the licensee, provided that, in respect of each case, such Affiliate or Related Undertaking holds a licence under section 7 of the Act, issued by the Authority, or exempted from the requirement to hold such a licence, and that such licence or exemption does not prohibit such transactions;
- b) with the prior consent of the Authority;
- c) in accordance with the licensee's functions under the Network Code; or

- d) by the licensee on its own account for the purpose of facilitating balancing management or Constraint Management provided that such transactions:
  - i. are conducted on economic and efficient terms; and
  - ii. facilitate the economic and efficient operation of the Transportation System.

## **Special Condition 9.15 NTS shortfall contribution obligations**

### **Introduction**

9.15.1 The purpose of this condition is to require the licensee, in specified circumstances, to modify the charges imposed by it in carrying on its Licensed Activity to raise such amounts as are specified by the Secretary of State in a Shortfall Direction:

- a) from the persons; and
- b) in the manner

specified in such Shortfall Direction, and to pay such amounts to the persons specified in the Shortfall Direction.

### **Part A: Licensee's obligations under this condition**

9.15.2 Where there is a shortfall during or at the completion of an energy administration, energy supply company administration or smart meter communication licensee administration the Secretary of State, after consultation with the Authority and the licensee, may issue one or more Shortfall Directions to the licensee specifying:

- a) the amount of the shortfall (including the amount of any interest accruing on the shortfall calculated to the date specified in sub-paragraph (f));
- b) the amount to be raised by the licensee and applied in making good the shortfall;
- c) the Shortfall Payment Recipients;
- d) the rate or rates of interest applicable to any part or parts of the amount referred to in sub-paragraph (b), and any other relevant information to enable the licensee to calculate liability (if any) for payment of any interest in respect of any late payment of such amount to or by the licensee;
- e) the method or methods by which the licensee may raise the amount referred to in sub-paragraph (b) (including, without limitation, the manner in which and persons from whom it is to be raised and whether such amount is to be raised within or outside the licensee's normal billing cycle);
- f) the date by which the licensee is required to pay the Shortfall Payment Recipients the amount referred to in sub-paragraph (b) (or, where payment of the amount is required in instalments, the dates on which the licensee is required to make payment of each instalment);

- g) where the shortfall includes relevant debts owed to more than one Shortfall Payment Recipient, the priority in which the amount referred to in sub-paragraph (b) is to be applied in discharging those debts;
- h) the extent to which the Shortfall Direction modifies or replaces a previously issued Shortfall Direction;
- i) where a Shortfall Direction is to modify or replace any previously issued Shortfall Direction, where appropriate, a requirement not to modify charges further pursuant to paragraph 9.15.6;
- j) the Permitted Administration Fee and the manner in which the Permitted Administration Fee is to be raised;

and the licensee must comply with any such Shortfall Direction.

9.15.3 As soon as reasonably practicable after receiving a Shortfall Direction, the licensee must:

- a) modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be approved by the Authority), the change in its revenue resulting from the modification will equal the amount to be raised by it as specified in the Shortfall Direction (including, at the licensee's discretion, any Permitted Administration Fee); and
- b) notify the persons who are subject to the charges so modified of:
  - i. the modifications made to the charges;
  - ii. any modification to the date or time period within which charges shall be paid;
  - iii. the reason for those modifications; and
  - iv. the interest rate applicable to late payment of modified charges.

9.15.4 The licensee must on or before the date (or dates) specified in the Shortfall Direction pay the amount raised under paragraph 9.15.3(a), (excluding any Permitted Administration Fee), to the Shortfall Payment Recipients, in accordance (where applicable) with any priority set out in the Shortfall Direction.

9.15.5 For the avoidance of doubt the licensee shall not at any time be under any liability:

- a) to make any payments to any Shortfall Payment Recipient, to the extent that those payments exceed the amount of additional revenue which the licensee has already received pursuant to the modification of its charges in accordance with this condition (excluding any Permitted Administration Fee); or

- b) to pay interest on any amounts due to any Shortfall Payment Recipient in respect of any period for which any payment is late (in whole or in part) where the delay to such payment arises from the late payment of money to the licensee.

9.15.6 Save where the Secretary of State specifies otherwise in a Shortfall Direction modifying or replacing a previous Shortfall Direction, if the amount raised by the licensee under paragraph 9.15.3(a) (excluding any Permitted Administration Fee):

- a) is less than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall (other than as a result of late, partial or non-payment of the modified charges by one or more party subject to those charges), the licensee must:
  - i. as soon as is reasonably practicable, modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of that deficit together with any interest as specified in the Shortfall Direction; and
  - ii. pay that amount to the Shortfall Payment Recipients as soon as is reasonably practicable and at the latest by any date specified in the Shortfall Direction; or
- b) is more than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall, the licensee must as soon as reasonably practicable, further modify its charges so as to secure that, in its reasonable estimation (such estimate to be approved by the Authority), the change in its revenue effected by such modification will equal the amount of the excess together with any accrued interest thereon.

9.15.7 For the purposes of paragraphs 9.15.3(a) and 9.15.6:

- a) the licensee may modify its charges notwithstanding that it has not given prior notice of such a variation required by any other condition of this licence or the Uniform Network Code and any charges levied by the licensee after modification pursuant to paragraph 9.15.3(a) or 6 will be deemed to be compliant with the licensee's obligations under Standard Special Condition A4 (Charging - General) and Standard Special Condition A5 (Obligations as Regard Charging Methodology);
- b) the licensee must not enter into any agreement with another party which does not permit it to vary its charges in pursuance of this condition and must take all

steps within its power to amend, where necessary, any existing agreement to permit such variation; and

- c) in modifying its charges for the purposes of this condition the licensee must not discriminate between any person or class or classes of person, except in so far as any differences in charges reasonably reflect objective differences between such persons or classes of persons or in so far as any differences in charges are required to give effect to the Shortfall Direction.

9.15.8 The licensee must, as soon as is reasonably practicable after making any payment under paragraph 9.15.4 or 9.15.6, send a notice to the Authority and to the Secretary of State specifying the amount of that payment, the Shortfall Payment Recipients to whom it was paid, the date on which it was paid and whether any of the payment was made up of interest resulting from late payment.

9.15.9 Any change in the licensee's SO Recovered Revenue or TO Recovered Revenue attributable to the licensee's compliance with this condition will be treated as if it had not occurred.

9.15.10 The licensee must prepare, in respect of each period of 12 months ending on 31 March in which its charges are modified in pursuance of paragraph 9.15.3(a) or 6, a statement showing:

- a) the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph 9.15.3(a);
- b) the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph 9.15.6(a);
- c) the aggregate amount of the change in its revenue resulting from any modification to charges in pursuance of paragraph 9.15.6(b);
- d) the aggregate payments made by the licensee during that period of 12 months ending on 31 March in accordance with paragraph 4 and, where applicable, paragraph 9.15.6(a)

and must send the statement to the Authority during the period of four months beginning with the date on which the period to which it relates ends.

9.15.11 As soon as is reasonably practicable after sending a statement under paragraph 9.15.10 to the Authority, the licensee must also publish it on its website.

9.15.12 In this condition:

- a) any words or expressions used in Chapter 3 of Part 3 of the Energy Act 2004 shall have the same meaning in this condition as in that Chapter;
- b) any words or expressions used in Chapter 5 of Part 2 of the Energy Act 2011 shall have the same meaning in this condition as in that Chapter; and
- c) any words or expressions used in the Smart Meters Act 2018 shall have the same meaning in this condition as they do in that Act.

**Special Condition 9.16 Restriction of prices in respect of Tariff Capped Metering****Activities****Introduction**

9.16.1 The purpose of this condition is to set out the tariff caps on certain metering activities.

**Part A: Principal restriction**

9.16.2 The licensee in setting its charges for each of its Tariff Capped Metering Activities in any Regulatory Year must not exceed the maximum tariff cap  $M_t^A$  in respect of that metering activity in that Regulatory Year.

**Part B: Maximum tariff caps ( $M_t^A$ )**

9.16.3 For the Regulatory Year commencing on 1 April 2021, the maximum tariff caps have the values set out in the following table.

<b>Activity</b>	<b>Description</b>	<b>Maximum tariff caps (<math>M^A</math>) for 2021/22 (£ nominal)</b>
$M^{A=1}$	Annual charge for providing and maintaining the assets that form a Domestic Credit Meter Installation, per meter per annum.	£17.70
$M^{A=2}$	Annual charge for providing and maintaining the assets that form a Prepayment Meter Installation, per meter per annum.	£44.27
$M^{A=3}$	Annual charge for providing a daily meter reading for Daily Metered Supply Meter Points, per supply meter point per annum.	£602.71
$M^{A=4}$	Carrying out work to replace a Domestic Credit Meter with a Prepayment Meter, per job undertaken.	£94.81

9.16.4 For each subsequent Regulatory Year, the maximum tariff caps have the value derived in accordance with the following formula:

$$M_t^A = M_{t-1}^A \times RPI_t$$

where

$RPI_t$  means the arithmetic average of the Retail Prices Index with respect to each of the six months from June to November in Regulatory Year t-1 divided by

the arithmetic average of the Retail Price Index numbers with respect to the period from June to November in Regulatory Year t-2.

### **Part C: Departure from published statements of charges in respect of Tariff Capped Metering Activities**

9.16.5 This paragraph applies where:

- a) the licensee proposes to depart from its published statement of charges;
- b) the departure would include increasing the licensee's charges to a supplier to a level which would in any Regulatory Year result in a breach of the licensee's obligations under paragraph 9.16.2; and
- c) the departure arises either:
  - i. because of the supplier having wholly or partly disposed of its meters; or
  - ii. because the licensee considers the departure necessary to comply with the duty in paragraph 4 of Standard Special Condition B8 (Provision of Terms).

9.16.6 Where paragraph 9.16.5 applies the licensee must make a written application to the Authority:

- a) specifying why the change is proposed;
- b) specifying the metering activities to be provided to the supplier;
- c) specifying the proposed level of charges broken down between the different kinds of metering activities to be provided to the supplier; and
- d) including such other information to support its application as the Authority may reasonably specify in writing.

9.16.7 In paragraph 9.16.5 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.

9.16.8 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 (in which case the licensee must apply the charges with any such amendment and only to such extent, and must comply with those terms and conditions); or

- b) the Authority has not issued a direction to the licensee requiring the licensee not to exceed the maximum tariff cap during the period of 90 days beginning with the date of receipt of the application.

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

## **Special Condition 9.17 Entry Capacity and Exit Capacity obligations and methodology statements**

### **Introduction**

9.17.1 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 sub-paragraph (a).

9.17.2 This condition 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 statements referred to in paragraph 9.17.1(a).

### **Part A: The methodology statements**

9.17.3 The licensee must have in place the following statements approved by the Authority:

- a) an Entry Capacity Substitution methodology statement;
- b) an Entry Capacity Transfer and Entry Capacity Trade methodology statement;
- c) an Exit Capacity Substitution methodology statement; and
- d) an Exit Capacity Revision methodology statement;

9.17.4 The statements required by paragraph 9.17.3 must facilitate the achievement of the capacity-related objectives set out in Part C.

### **Part B: Obligation to apply the methodologies in the methodology statements**

9.17.5 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Entry Capacity Substitution methodology statement when carrying out Entry Capacity Substitution.

9.17.6 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Entry Capacity Transfer and Entry Capacity Trade methodology statement when carrying out Entry Capacity Transfer and Entry Capacity Trade.

9.17.7 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Exit Capacity Substitution methodology statement when carrying out Exit Capacity Substitution.

9.17.8 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Exit Capacity Revision methodology statement when carrying out Exit Capacity Revision.

### **Part C: Capacity-related objectives**

9.17.9 The capacity-related objectives are:

- a) ensuring that each of Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision are effected in a manner consistent with the 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;
- b) in so far as is consistent with sub-paragraph (a), ensuring that:
  - i. Entry Capacity Substitution is effected in a manner which seeks to minimise the need to make an application under Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable), taking into account the Entry Capacity that shippers and, where relevant DN Operators, have indicated that they will require in the future through making a financial commitment to the licensee; and
  - ii. Exit Capacity Substitution is effected in a manner which seeks to minimise the need to make an application under Special Condition 3.13 (Funded incremental obligated 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;
- c) in so far as is consistent with sub-paragraph (a), ensuring that Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision are effected in a manner which is compatible with the physical capability of the pipeline system to which this licence relates;

- d) in so far as is consistent with sub-paragraph (a), avoiding material increases in the costs that are reasonably expected to be incurred by the licensee as a result of Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision, including Entry Capacity Constraint Management 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, where relevant, to DN Operators; and
- e) in so far as is consistent with sub-paragraph (a) and, where relevant, sub-paragraphs (b), (c) and (d), facilitating effective competition between:
  - a. Relevant Shippers, and where relevant, DN Operators; and
  - b. Relevant Suppliers.

#### **Part D: Review and revision of the methodology statements**

9.17.10 The licensee must, if so directed by the Authority, and in any event not less than once in every period of two Regulatory Years:

- a) review the statements referred to in paragraph 9.17.3 in consultation with:
  - i. Relevant Shippers;
  - ii. in relation to revisions concerning Exit Capacity Substitution or Exit Capacity Revision, DN Operators; and
  - iii. any other interested parties; and
- b) notify the Authority of the outcome of its review.

9.17.11 Before revising a statement referred to in paragraph 9.17.3, the licensee must:

- a) provide a copy of the proposed revisions to the Authority and to any interested party who asks for one;
- b) consult for a period of not less than 28 days with the parties referred to in paragraph 9.17.10(a);
- c) during the period of 14 days beginning with the day after the date on which the consultation closes, submit to the Authority a report setting out:
  - i. the revisions originally proposed;
  - ii. any representations made and not withdrawn; and
  - iii. any changes to the revisions proposed as a result of such representations; and

- d) submit to the Authority, alongside the report under sub-paragraph (c), a statement from an Independent Examiner:
  - i. 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.

9.17.12 During the period of 56 days beginning with the date of receipt of the report and statement referred to in 9.17.11(c) and (d), the Authority will:

- a) approve any revisions proposed by the licensee;
- b) reject any proposed revisions; or
- c) request more information from the licensee and approve or reject the proposed revisions within 28 days of receipt of information that the Authority considers satisfies its request.

9.17.13 Where the Authority takes no action under paragraph 9.17.12 the licensee may treat the proposed revisions as approved.

#### **Part E: Licensee's obligation to report to the Authority**

9.17.14 The licensee must, by 31 May in each Regulatory Year, or by such later date as the Authority may direct, report to the Authority, in such format as the Authority directs, on:

- a) the application, 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 Revision.

#### **Part F: Licensee's obligation to publish documents**

9.17.15 The licensee must publish the current versions of the statements in paragraph 9.17.3 on its website.

## **Part G: Derogations**

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

## **Special Condition 9.18 Methodology to determine the release of Entry Capacity and Exit Capacity volumes**

### **Introduction**

9.18.1 This condition places the following obligations on the licensee:

- a) to release Obligated Entry Capacity and Obligated Exit Capacity;
- b) to maintain and comply with capacity release methodology statements;
- c) to report to the Authority; and
- d) to publish the capacity release methodology statements.

9.18.2 This condition also sets out the process for the licensee to revise the capacity release methodology statements.

### **Part A: Release of Obligated Entry Capacity and Obligated Exit Capacity**

9.18.3 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to release Obligated Entry Capacity at each NTS Entry Point in all available Allocations up to the end of the day to which the capacity relates, in accordance with the provisions of Standard Special Condition A5 (Obligations as Regard Charging Methodology).

9.18.4 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to release Obligated Exit Capacity at each NTS Exit Point in all available Allocations up to the end of the day to which the capacity relates, in accordance with the provisions of Standard Special Condition A5 (Obligations as Regard Charging Methodology).

### **Part B: Capacity release methodology statements**

9.18.5 The licensee must have in place the following capacity release methodology statements approved by the Authority:

- a) an Entry Capacity release methodology statement; and
- b) an Exit Capacity release methodology statement.

9.18.6 The Entry Capacity release methodology statement must:

- a) set out how the licensee decides whether to make Incremental Entry Capacity available for sale to Relevant Shippers and, where relevant, DN Operators;

- b) set out how, where the licensee makes Incremental Entry Capacity available, the licensee decides what quantity to make available;
- c) unless the Authority otherwise directs, include a net present value test which includes the following parameters:
  - i. the net present value test is considered to have been passed if the outcome of the test is a figure greater than or equal to 0.5;
  - ii. cash flows are discounted by the social time preference rate that is published in accordance with “The Green Book: Central Government Guidance on Appraisal and Evaluation” as amended from time to time; and
  - iii. the net present value test is calculated over a period of 32 quarters;
- d) set out how the licensee offers for sale Obligated Entry Capacity to Relevant Shippers and, where relevant, DN Operators; and
- e) incorporate the obligation set out in paragraph 9.18.3.

9.18.7 The Exit Capacity release methodology statement must:

- a) set out how the licensee decides whether to make Incremental Exit Capacity available for sale to Relevant Shippers and DN Operators;
- b) set out where the licensee makes Incremental Exit Capacity available, how it decides what quantity to make available, and how much capacity is made available;
- c) set out how the licensee offers for sale Obligated Exit Capacity to Relevant Shippers and DN Operators; and
- d) incorporate the obligation set out in paragraph 9.18.4.

**Part C: Obligation to apply the methodologies in the capacity release methodology statements**

9.18.8 The licensee must use reasonable endeavours to apply the methodology in the Entry Capacity release methodology statement when:

- a) releasing Entry Capacity to Relevant Shippers and, where relevant, to DN Operators; and
- b) when offering for sale Obligated Entry Capacity to Relevant Shippers and, where relevant, DN Operators.

9.18.9 The licensee must use reasonable endeavours to apply the methodology in the Exit Capacity release methodology statement when:

- a) releasing Exit Capacity to Relevant Shippers and DN Operators; and
- b) when offering for sale Obligated Exit Capacity to Relevant Shippers and DN Operators.

**Part D: Review and revision of the capacity release methodology statements**

9.18.10 The licensee must, if so directed by the Authority, and in any event at least once in every period of two Regulatory Years:

- a) review the capacity release methodology statements required under Part B in consultation with:
  - i. Relevant Shippers;
  - ii. in relation to reviewing Exit Capacity release, DN Operators; and
  - iii. any other interested parties; and
- b) notify the Authority of the outcome of its review.

9.18.11 Before revising a capacity release methodology statement, the licensee must:

- a) provide a copy of the proposed revisions to the Authority and to any interested party who asks for one;
- b) consult for a period of not less than 28 days with the parties referred to in paragraph 9.18.10(a);
- c) within 14 days of the close of the consultation, submit to the Authority a report setting out:
  - i. the revisions originally proposed;
  - ii. any representations made and not withdrawn; and
  - iii. any change to the revisions proposed as a result of such representations; and
- d) submit to the Authority, alongside the report, a statement from an Independent Examiner:
  - i. 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 capacity release methodology statement as revised would be consistent with the licensee's duties under the Act and with the licensee's obligations under this licence.

9.18.12 During the period of 56 days beginning with the date of receipt of the report and statement referred to in 9.18.11(c) and (d), the Authority will:

- a) approve the revisions proposed by the licensee;
- b) reject the proposed revisions; or
- c) request more information from the licensee and approve or reject the proposed revisions within 28 days of receipt of information that the Authority considers satisfies its request.

9.18.13 Where the Authority takes no action under paragraph 9.18.12 the licensee may treat the proposed revisions as approved.

#### **Part E: Licensee's obligation to report to the Authority**

9.18.14 The licensee must, at least once in each Regulatory Year, provide a report to the Authority on:

- a) the levels of:
  - i. Obligated Entry Capacity that the licensee is required to release to Relevant Shippers and, where relevant DN Operators, at each NTS Entry Point; and
  - ii. Obligated Exit Capacity that the licensee is required to release to Relevant Shippers and to DN Operators at each NTS Exit Point; and
- b) the Incremental Entry Capacity and Incremental Exit Capacity release requests, including requests resulting from PARCA applications, and the progress of those requests during the previous Regulatory Year.

#### **Part F: Licensee's obligation to publish documents**

9.18.15 The licensee must publish the current versions of the capacity release methodology statements required under Part B on its website.

#### **Part G: Derogations**

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

## **Special Condition 9.19 System Management Services**

### **Introduction**

9.19.1 The purpose of this condition is to require the licensee to have in place and maintain:

- a) a Procurement Guidelines Document;
- b) a System Management Principles Statement;
- c) a System Management Services Adjustment Methodology; and
- d) a statement that complies with the requirements under Part E in respect of that methodology.

### **Part A: General Duties under this Condition**

9.19.2 The licensee must operate the pipeline system to which this licence relates in an efficient, economic and co-ordinated manner.

9.19.3 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.

9.19.4 The licensee's obligations under paragraph 9.19.3 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; and
- b) any other business operated by the holder of this licence, or by any Affiliate or Related Undertaking of the licensee, under a licence under section 7 of the Act for a Relevant Gas Transporter.

### **Part B: Procurement Guidelines Document**

9.19.5 The licensee must have in place before 1 April in each Regulatory Year, a Procurement Guidelines Document which sets out:

- a) the kinds of System Management Services that the licensee may be interested in purchasing during that Regulatory Year; and
- b) the mechanisms by which the licensee envisages purchasing, entering into agreements for the provision of, or otherwise acquiring those services.

9.19.6 The licensee must revise its Procurement Guidelines Document within the relevant Regulatory Year if its intentions in relation to the procurement of System Management Services change during that period.

9.19.7 During the first month of each Regulatory Year, the licensee must prepare a report, in a form approved by the Authority, about the System Management Services that the licensee has bought or acquired in the preceding Regulatory Year.

**Part C: System Management Principles Statement**

9.19.8 The licensee must have in place a System Management Principles Statement which sets out the principles and criteria by which the licensee will at different times and in different circumstances determine:

- a) which System Management Services the licensee will use to assist it in the operation of the NTS; and
- b) when and for what purpose the licensee would resort to measures not involving the use of System Management Services in the operation of the NTS.

9.19.9 The licensee must comply with the provisions of the System Management Principles Statement.

9.19.10 As soon as reasonably practicable after the end of each Regulatory Year, the licensee must prepare a report that:

- a) describes the manner in which, and the extent to which, the 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.

9.19.11 The report must be accompanied by a statement from an Independent Examiner that:

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

9.19.12 The licensee may from time to time revise its System Management Principles Statement in accordance with the requirements under Part D.

#### **Part D: Procedure for revising the System Management Principles Statement**

9.19.13 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.

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

9.19.15 During the period of 7 days beginning with the date on which the consultation is completed, 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 referred to in 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.

9.19.16 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 9.19.15(b), and only if the Authority consents to that revision.

#### **Part E: System Management Services Adjustment Methodology**

9.19.17 This Part applies where the 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.

9.19.18 Where this Part applies, the licensee must have in place and comply with a System Management Services Adjustment Methodology approved by the Authority.

9.19.19 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.

9.19.20 The licensee may from time to time revise its System Management Services Adjustment Methodology in accordance with the requirements of Part F.

## **Part F: Procedure for revising the System Management Services Adjustment**

### **Methodology**

9.19.21 Whenever the 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.

9.19.22 Before revising its System Management Services Adjustment Methodology, the licensee must:

- a) send a copy of its proposed revisions to the Authority and to any interested party 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; and
- c) during the period of 7 days beginning with the date on which the consultation is completed, send to the Authority a report that sets out the revisions originally proposed, any representations received by the licensee that were not withdrawn, and any proposed changes to the original proposals.

9.19.23 The licensee must not revise its System Management Services Adjustment Methodology:

- a) during the period of 28 days beginning with the date on which the Authority receives the report set out in paragraph 9.19.22(c);
- b) if within that period the Authority directs the licensee not to make the revision; or
- c) before any day specified by the Authority in a derogation that the licensee applied for under Part J.

## **Part G: Availability of licensee's statements and reports**

9.19.24 The licensee must:

- a) send to the Authority a copy of each statement, report, and revision required by this condition;
- b) provide a copy of each statement, report or most recent revision to any person who asks for a copy and makes such a payment to the 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 statement, report and revision.

**Part H: Exclusion of certain matters**

9.19.25 In complying with the requirements of paragraphs 9.19.24(b) and (c), the licensee must exclude, in so far as is reasonably practicable, any matter which relates to the affairs of a person where the publication of that matter would, or might, seriously and prejudicially affect their interests.

9.19.26 Any question arising under paragraph 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 their interests is to be determined by the Authority.

**Part I: Retention of particulars and records**

9.19.27 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.

**Part J: Derogations**

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

## **Special Condition 9.20 Independent market for balancing**

### **Introduction**

9.20.1 The purpose of this licence condition is to modify the standard special conditions in their application for the purposes of this licence.

### **Part A: Modifications**

9.20.2 For the purposes of this licence Standard Special Condition A11 (Network Code and Uniform Network Code) is to be treated as including the following paragraphs after paragraph 22:

“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.”

“22B. The licensee must, in appointing any such operator as is mentioned in paragraph 22A, use all reasonable endeavours to appoint a person having:

- a) financial resources,
- b) skilled and experienced personnel, and
- 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.”

“22C. The requirement in paragraph 22B 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:

- d) a person recognised by the Financial Conduct Authority under the Financial Services and Markets Act 2000 as an investment exchange; or
- e) a person designated by the Authority for the purposes of that paragraph and if that designation has not expired or been revoked.”

“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 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 9.21 Provision of information**

### **Introduction**

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

### **Part A: Licensee's obligations under this condition**

9.21.2 The licensee must use reasonable endeavours to publish information on its website as soon as reasonably practicable and which will provide:

- a) the key assumptions and analysis used by the licensee in its development of future energy scenarios;
- b) reports on the licensee's view on what the outlook will be for the coming summer and winter (as appropriate) for gas, which include forecast levels of demand, forecast levels of supply, information on the 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.

**Special Condition 9.22 Implementing and maintaining the Demand Side Response Methodology for use after a Gas Balancing Notification**

**Introduction**

9.22.1 This 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) where directed by the Authority, run a trial of the Demand Side Response Methodology with any revisions proposed under paragraph 9.22.6(b); and
- c) following such a trial, send to the Authority a report on the outcome of the trial and a version of the Demand Side Response Methodology amended to address issues identified by the licensee during the trial and, if appropriate, containing any further proposed revisions to the Demand Side Response Methodology following conclusion of the trial.

**Part A: The Demand Side Response Methodology**

9.22.2 The licensee must have in place and maintain a Demand Side Response Methodology approved by the Authority.

9.22.3 The licensee must ensure that the Demand Side Response Methodology:

- a) ensures that any party making a Demand Side Response Offer is a party to the Uniform Network Code;
- b) 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) allows the licensee to accept Demand Side Response Offers only where a Gas Margins Notice is in place, or where a Gas Balancing Notification is in place or within stage 1 of a Gas Deficit Emergency;
- d) demonstrates compatibility with existing market arrangements by setting out the manner in which any Demand Side Response Offers accepted by the 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) promotes, and further facilitates, parties making Demand Side Response Offers to the licensee through open and transparent market-based arrangements;

- f) does not unduly preclude the emergence of commercial interruption arrangements;
- g) 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) ensures that Demand Side Response is procured in a manner consistent with the licensee's duties under the Act and, in particular, the licensee's obligation to operate the pipeline system to which this licence relates in an efficient, economic and co-ordinated manner.

### **Part B: Revising the Demand Side Response Methodology**

9.22.4 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.

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

9.22.6 During the period of 7 days beginning with the date of completion of 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 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
- c) any written representations (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.

9.22.7 The Authority, within 28 days of receiving a report under paragraph 9.22.6(a) and a statement under paragraph 9.22.6(b), will:

- a) approve any proposed revisions;
- b) direct the licensee to conduct a trial of the revised Demand Side Response Methodology to assess the effectiveness of the methodology and any revisions proposed by the licensee under paragraph 9.22.6(b); or
- c) reject any proposed revisions.

9.22.8 In considering whether to approve the licensee's proposed revisions to the Demand Side Response Methodology, the Authority will have regard to whether they are consistent with the objectives in paragraph 9.22.3.

### **Part C: Trial and implementation**

9.22.9 Where the Authority directs the licensee to conduct a trial of the Demand Side Response Methodology comprising the proposed revisions as outlined in paragraph 9.22.7(b), the licensee must during the period of 28 days beginning with the last day of the trial submit to the Authority a report on the outcome of the trial, including any further proposed revisions (having regard to the outcome of the trial) to the Demand Side Response Methodology.

9.22.10 Following completion of the trial and during the period of 28 days beginning with the date of receipt of the submissions under paragraph 9.22.9, the Authority will:

- a) approve any proposed revisions and direct the licensee to:
  - i. 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;
  - ii. implement the revisions to the Demand Side Response Methodology as soon as is reasonably practicable and once the modifications, processes and systems under paragraph 9.22.10(a)(i) are complete; and
  - iii. publish the final revised Demand Side Response Methodology on its website and in such other manner as the Authority may direct; or
- b) reject any proposed revisions to the Demand Side Response Methodology.

9.22.11 Where the Authority does not provide a direction under 9.22.7 or 9.22.10, the licensee must not implement the proposed revisions.

### **Part D: Exception to compliance with condition**

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

9.22.13 The Authority may, having consulted with the licensee and interested parties, direct that the licensee must temporarily or permanently cease operation of the Demand Side Response Methodology.

## **SCHEDULES**

### **Schedule 1: Specified Area**

Great Britain

### **Schedule 2: Revocation of Licence**

1. The Authority may at any time revoke the licence by giving no less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(f)) in writing to the licensee:
  - (a) if the licensee agrees in writing with the Authority that the licence should be revoked;
  - (b) if any amount payable under standard condition 3 (Payments by licensee to the Authority) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the licensee notice that the payment is overdue - provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable became due;
  - (c) if the licensee fails:
    - (i) to comply with a final order (within the meaning of section 28 of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 30 of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or
    - (ii) to pay any financial penalty (within the meaning of section 30A of the Act) by the due date for such payment and such payment is not made to the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 30E of the Act could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined;

- (d) if the licensee fails to comply with:
  - (i) an order made by the Secretary of State under section 56, 73, 74 or 89 of the Fair Trading Act 1973; or
  - (ii) an order made by the court under section 34 of the Competition Act 1998;
- (e) if the licensee:
  - (i) shall not have commenced business as a gas transporter within a period of 3 years from the date on which this licence takes effect; or
  - (ii) ceases to carry on its business as a gas transporter; or
- (f) if the licensee:
  - (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraphs 2 and 3 of this schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority);
  - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed;
  - (iii) has an administration order under section 8 of the Insolvency Act 1986 made in relation to it;
  - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by the Authority; or
  - (v) becomes subject to an order for winding-up by a court of competent jurisdiction; or
- (g) if the licensee is convicted of having committed an offence under section 43 of the Act in making its application for the licence.

2. For the purposes of sub-paragraph 1(f)(i), section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for “£750” there was substituted “£250,000” or such higher figure as the Authority may from time to time determine by notice in writing to the licensee.

3. The licensee shall not be deemed to be unable to pay its debts for the purposes of subparagraph 1(f)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1.

**Schedule 3: Transportation Services Area**

Great Britain