

# **GAS TRANSPORTERS LICENCE: STANDARD CONDITIONS**

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## **PART II. THE STANDARD CONDITIONS**

### **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”

means –

- (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;
- (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;

“effective date”

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.
“last resort supplier”	for the purposes of standard condition 5 (System Development Obligations) only, has the meaning given in that condition;
“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.

“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, 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;
“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 pipeline 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:
	(1) 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
	(2) 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.
“Smart Metering System”	has the meaning given to it in standard condition 1 of the Standard Conditions of Gas Supply Licences;
“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;
“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 subduct 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 -</p> <p>(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</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</p>

	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);
“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 -

- (a) a holding company of the licensee which is not itself a subsidiary of another company; and
- (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.

“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;
    - (ii) 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 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 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 the 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;

(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 the 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

“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 4: Charging of Gas Shippers - General**

1. The licensee shall furnish the Authority with a statement of -
  - (a) the charges to be made in pursuance of transportation arrangements with specified descriptions of gas shippers in different specified cases or descriptions of cases; and
  - (b) the methods by which, and the principles on which, those charges 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 methods by which, or the principles on which, those charges 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) give the Authority notice of any proposals which it is considering to change the charges mentioned in paragraph 1, together with a reasonable estimate of the effect of the proposals (if implemented) on those charges, and shall use all reasonable endeavours to do so at least 150 days before the proposed date of their implementation; and
  - (b) where the licensee has decided to implement any proposals to change the charges 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.

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 secure that the charges in pursuance thereof will be in conformity with the statement last published under paragraph 3 either -
  - (a) before it enters into the arrangements; or
  - (b) 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.
  
- 5. Subject to paragraph 6, 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) are to be determined; and
  - (b) conform to the methodology so established as from time to time modified in accordance with standard condition 4A (Obligations as Regards Charging Methodology).
  
- 6. In any case in which the licensee is willing to enter into storage arrangements in respect of such facilities as are mentioned in paragraph 9 -
  - (a) if the charges in pursuance of those arrangements are not governed by the methodology established under paragraph 5, the licensee shall avoid any undue preference or undue discrimination in the terms on which it enters into such arrangements; and
  - (b) if either those charges or any charges made in pursuance of transportation arrangements other than storage arrangements are not governed as aforesaid, the licensee shall ensure so far as is reasonably practicable, that no unjustified cross-

subsidy is involved between the terms on which it enters into the storage arrangements and those on which it enters into other transportation arrangements.

7. Any question which arises under paragraph 6 as to whether a cross-subsidy is unjustified, shall be determined by the Authority.
  
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 licensee's pipe-line system; or
  - (b) to 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 conditions 4A (Obligations as Regards Charging Methodology) and 4B (Connection Charges etc) to charges-
  - (i) include references to the means whereby charges may be ascertained; and
  - (ii) exclude references to supplemental charges within the meaning of standard condition 4C (Charging Gas Shippers – Supplemental Connection Charges).
  
9. In this condition "transportation arrangements" includes storage arrangements which relate to the utilisation of -
  - (a) an offshore gas storage installation;
  - (b) storage cavities in natural strata, or
  - (c) containers for the storage of gas in a liquid state.
  
10. 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 the storage of gas in particular categories of the facilities mentioned in paragraph 9(a), (b) or (c) and the Authority's view on that question, considers it appropriate that paragraph 9 should be modified by the omission of sub-paragraph (a), (b) or (c), then the subparagraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition

generally; and, if all three subparagraphs come to be omitted, paragraphs 6 and 7, paragraph 9 and the reference thereto in the definition of “transportation arrangements” in condition 1 shall cease to have effect.

#### **Condition 4A: Obligations as Regards Charging Methodology**

1. Except in so far as the Authority consents to the licensee not doing so, the licensee shall, subject to paragraphs 2 and 3, from time to time make such modifications of the methodology established in pursuance of paragraph 5 of standard condition 4 (Charging of Gas Shippers – 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, the licensee shall not make a modification of the charging methodology unless it has -
  - (a) consulted the relevant shippers on the proposed modification and allowed them a period of not less than 28 days within which to make written representations; and
  - (b) furnished the Authority with a report setting out -
    - (i) the terms originally proposed for the modification;
    - (ii) the representations (if any) made by relevant shippers; and
    - (iii) any change in the terms of the modification intended in consequence of such representations,and unless 28 days have elapsed since the said report was furnished without the Authority having given the licensee a direction requiring that the modification be not made.
  
3. Subject to paragraph 4, the licensee shall in each calendar 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 calendar year in which this licence came into force:

- (a) if it came into force on or after 1st 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 and 3 “the relevant methodology objectives” means, subject to paragraph 6, the following objectives -
- (a) that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;
  - (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 so consistent, compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and
  - (d) 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 of this licence other than standard condition 4 (Charging of Gas Shippers – 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 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) costs incurred for the purposes of that business in connection with the construction of pipe-lines for the benefit of an area for the time being designated for the purposes of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges);
- (ii) 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;
- (iii) revenue derived from that business by way of supplemental charges (within the meaning of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges)); and
- (iv) 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,

and, for the purposes of this paragraph, “costs” and “revenue” mean costs and revenue determined on an accrual basis.

7. 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.
  
8. The licensee shall not be required by paragraph 7 to publish any information or any document -
  - (a) which it could not be compelled to give in evidence or produce in civil proceedings before the court; or

- (b) so far as it comprises information relating to costs incurred in connection with the construction of pipe-lines for the benefit of an area for the time being designated for the purposes of standard condition 4C (Charging of Gas Shippers – Supplemental Connection Charges) or so incurred in preparation for the area becoming so designated.
  
- 9. In publishing any information in pursuance of paragraph 7 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.
  
- 11. In this condition “transportation business” includes activities connected with the storage of gas in pursuance of storage arrangements which relate to the utilisation of -
  - (a) an offshore gas storage installation;
  - (b) storage cavities in natural strata; or
  - (c) containers for the storage of gas in a liquid state.
  
- 12. 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 the storage of gas in particular categories of the facilities mentioned in paragraph 11(a), (b) or (c) and its view on that question, considers it appropriate that paragraph 11 should be modified by the omission of sub-paragraph (a), (b) or (c), then the sub-paragraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally; and, if all three sub-paragraphs come to be omitted, paragraph 11 and the reference thereto in the definition of “transportation business” in standard condition 1 (Definitions and Interpretation ) shall cease to have effect.

#### **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 sub-paragraph (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 paragraph 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.
6. The licensee shall not make a modification to the connection charging methodology unless it has furnished the Authority with a report setting out:
- (a) the terms proposed for modification;
  - (b) how the proposed modification would better achieve the relevant objectives; and
  - (c) a timetable for implementing the modification and the date with effect from which the modification (if made) is to take effect, being not earlier than the date on which the period referred to in the sub-paragraph below will expire,

provided that where the licensee has complied with the requirements above, it will not make any 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 under subparagraph (b) given a direction to the licensee that the modification shall not be made.

7. The licensee shall, before making the modification:
  - (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 4C: Charging of Gas Shippers – Supplemental Connection Charges**

1. This condition shall apply in relation to an area designated for the purposes hereof by the Authority on the application of the licensee (“a designated area”) as one in the case of which -
  - (a) it appears to the Authority that gas has not previously, or has not within the previous 3 years, been conveyed through pipes to any premises therein other than ones which had been supplied with gas at a rate in excess of 2,196,000 kilowatt hours a year; and
  - (b) it appears to the Authority that, taking into account both any existing premises and probable developments in the area, it is likely that the area will contain premises of which more than a half will not be within 23 metres of a relevant main, whether of the licensee or of any other gas transporter, which was in existence before the designation of the area.
2. The designation of an area shall subsist only for the period specified in the designation on the application of the licensee unless, before the expiry of that period, it is extended by the Authority on such an application.
3. This condition shall apply if, and only if:
  - (a) the charges to be made of gas shippers by the licensee in pursuance of transportation arrangements include an element referable in whole or in part to the laying of pipes for the purpose of conveying gas to premises in a designated area and any such element is hereinafter referred to as a “supplemental charge”; and
  - (b) the application by the licensee for a designated area pursuant to paragraph 1 has been received by the Authority no later than 31 December 2003.
4. The licensee -
  - (a) shall, in the case of each designated area, establish a methodology which has been accepted by the Authority (whether before or after the area becoming designated)

setting out the provisions in accordance with which supplemental charges are to be determined, so, however, that, if and to the extent that the methodology so provides, it may be changed from time to time subject to the acceptance by the Authority of the changed methodology; and

(b) shall ensure that each supplemental charge made conforms to the methodology as in force immediately before the charge fell due.

5. The licensee shall, in the case of each designated area, prepare a statement of the methodology, or changed methodology, from time to time established under paragraph 4, and shall-

(a) publish, in such manner as will secure adequate publicity for it, either the statement or a summary thereof which the licensee is satisfied is sufficient to meet the reasonable interests of gas shippers and gas suppliers in the statement; and

(b) send a copy of any such statement or summary so published to anyone who asks for one.

6. If and so long as the charges made by the licensee for the conveyance of gas to premises in a designated area include supplemental charges, the licensee shall prepare and keep up to date a statement in respect of that area which shall specify the period for which supplemental charges will be made, the current amount thereof or the means whereby that amount may be ascertained and the circumstances in which they will be made, and shall-

(a) publish that statement at appropriate intervals, in such manner as will secure adequate publicity for it; and

(b) send a copy of any statement so published to anyone who asks for one.

7. In any other standard condition of this licence which limits, or has the effect of limiting, the charges which may be made in pursuance of transportation arrangements or the revenue which may be derived therefrom, references to such charges or revenue shall not include supplemental charges or revenue derived from such charges.

8. Where a person has applied for a licence or an extension under section 7 of the Act, any application made by that person in contemplation of the grant of that licence or extension which is conditional on such grant shall, if the licence or extension is granted, be treated, for the purposes of this condition, as an application made by the person to whom the licence or extension has been granted.
  
9. An acceptance of a methodology by the Authority for the purposes of paragraph 4 may be given subject to such standard conditions, relating to such charges as are mentioned in paragraph 3 of standard condition 4B (Connection Charges etc), as may be agreed between the Authority and the licensee.

#### **Condition 4D: Conduct of Transportation Business**

1. 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, nor
  - (b) any gas shipper or gas supplier,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” includes
  - (i) storage arrangements which relate to the utilisation of:
    - (a) an offshore gas storage installation;
    - (b) storage cavities in natural strata; or
    - (c) containers for the storage of gas in a liquid state; and
  - (ii) if the licensee has been designated as the Designated Registrar of Pipes pursuant to standard condition 33 (Designated Registrar of Pipes), the functions of the Designated Registrar of Pipes.
  
3. 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 the storage of gas in particular categories of the facilities mentioned in paragraph 2 and its view on that question, considers it appropriate that paragraph 2 should be modified by the omission of sub-paragraph (a), (b) or (c), then the sub-paragraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally; and if all three sub-paragraphs come to be omitted, paragraph 2 and the reference thereto in the definition of “transportation business” in standard condition 1 (Definitions and Interpretation) shall cease to have effect.

**Condition 4E: Requirement to Enter into Transportation Arrangements in Conformity with 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. In this condition “transportation arrangements” includes storage arrangements which relate to the utilisation of -
  - (a) an offshore gas storage installation;
  - (b) storage cavities in natural strata; or
  - (c) containers for the storage of gas in a liquid state.
3. 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 the storage of gas in particular categories of the facilities mentioned in paragraph 2(a), (b) or (c) and its view on that question, considers it appropriate that paragraph 2 should be modified by the omission of sub-paragraph (a), (b) or (c), then the subparagraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally; and, if all three subparagraphs come to be omitted, paragraph 2 and the reference thereto in the definition of “transportation arrangements” in standard condition 1 (Definitions and interpretation) shall cease to have effect.
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 condition 1 (Definitions and interpretation) referred only to gas consisting wholly or mainly of methane.

**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 5: 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 condition 5A (Information to be provided to the Designated Registrar of Pipes), the 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 sub-paragraph (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 licensee's pipe-line system ; 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 sub-paragraph (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. [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 pipe-line system operated by the licensee, and
- (b) where gas has, during the relevant period, been so conveyed to the secondary sub-deduct 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 condition 1 (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.

### **Condition 5A: Information to be Provided to the Designated Registrar of Pipes**

1. From such date as may be designated in writing for the purposes of this condition generally by the Authority following such consultation as it considers appropriate, paragraphs 2 to 4 shall have effect.
  
2. From the date designated by the Authority under paragraph 1, the licensee shall provide the Designated Registrar of Pipes with the following data in respect of each main it operates:
  - (a) the location, route, diameter and material of the main;
  - (b) the nominal pressure range of the main;
  - (c) the date the main was laid or became a main; and
  - (d) the licensee's details (including name, address and contact details).
  
3. The licensee shall notify the Designated Registrar of Pipes within 28 days after the commissioning of any new main and of any change in respect of the data relating to a main provided under paragraph 2, including where the pipe is no longer in operation.
  
4. The licensee shall, at least 7 days before bringing a new pipe or arranging with any other person for a pipe to be brought into operation which is likely to be a main, notify the Designated Registrar of Pipes of the proposed location of the main.

## **Condition 6: 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) be provided without charge by the licensee to the user at the point of use; and
  - (b) ensure that all reports and enquiries are processed in a prompt and efficient manner.

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

the escape or would use materials costing more than £4.65, adjusted in accordance with standard condition 27 (Adjustment of Amounts by Reference to the Retail Price Index) by reference to the day on which the premises were entered for that purpose.

10. 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 except with the consent of the Authority.
11. 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.
12. Paragraph 15 shall apply in relation to relevant customers (defined in paragraph 21) and the premises of relevant customers.
13. Where the licensee considers that, 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, so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety -
  - (a) when making such a request of a relevant supplier or shipper as is mentioned in paragraph 1 of standard condition 16 (Security and emergency arrangements) of the standard conditions of gas suppliers' licences or paragraph 2 of standard condition 5 (Obligations as Respects Emergencies etc) of the standard conditions of gas shippers' licences;
  - (b) when telling a relevant customer that he should refrain from using gas, in pursuance of such a term of that customer's contract for the supply of gas as is mentioned in paragraph 4(b) of standard condition 16 (Security and emergency arrangements) of the standard conditions of Gas Suppliers' licences, or
  - (c) when interrupting, reducing or restricting the conveyance of gas,give priority to the maintenance of the supply of gas to, and the conveyance of gas to the premises of, relevant customers or classes of relevant customers in accordance with, and to the extent specified in the list required by paragraph 17, and (to the extent that they



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

14. 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.
  
15. 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.
  
16. 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.

17. 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.
18. 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.
19. 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 (Security and emergency arrangements) of the standard conditions of gas suppliers’ licences or in pursuance of directions given under section 2(1)(b) of the Energy Act 1976; and
    - (ii) any person mentioned in any direction given by the Secretary of State in relation to paragraph 18(c) of this condition.
20. 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.

## **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 sub-paragraph.
  
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 pipe-line 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 sub-deduct 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 8: Provision and Return of Meters**

1. Subject to paragraph 2, the licensee shall comply with any reasonable request by a relevant shipper (or a gas shipper who is about to become such a shipper) to provide through a Metering Equipment Manager and install at the premises of a domestic customer a gas meter owned by it and of a type specified by the shipper subject, however, to a meter of that type being reasonably available to the licensee and the shipper agreeing to pay its charges in respect of the meter.
  - 1A. For the purpose of paragraph 1, “Metering Equipment Manager” means:
    - a) a person approved in accordance with the Retail Energy Code as possessing expertise satisfactorily to provide Meter-Related Services or a class or description of persons so approved (“relevant expertise”); or
    - b) an undertaking approved in accordance with the Retail Energy Code as having staff possessing the relevant expertiseand for the purposes of this definition,
    - (i) “approved in accordance with the Retail Energy Code” means approved in accordance with it for the purposes of this condition generally and “staff” includes officers, servants and agents; and
    - (ii) “Meter-Related Services” means the provision, installation, commissioning, inspection, repairing, alteration, repositioning, removal, renewal and maintenance of the whole or part of the Supply Meter Installation as defined in Section M, paragraph 1.2 of the Network Code of Transco plc as at the date this paragraph 1A has effect.
2. Paragraph 1 shall not apply where -
  - (a) the premises in question are secondary sub-deduct premises; and
  - (b) the owner or occupier of the premises has not agreed that the licensee may enter the premises for the purpose of removing the meter when the owner or occupier no longer requires the meter or the supply of gas.

3. 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.
  
4. 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.
  
5. 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 shipper and which the licensee either has or may readily obtain.
  
6. Not Used
  
7. For the purposes of paragraph 1, reference to a "relevant shipper" (and to a gas shipper who is about to become such a shipper) includes a gas supplier who is also the holder of the licence held by such a shipper.

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

### **Transportation Arrangements**

1. The licensee shall establish transportation arrangements, pursuant to paragraphs 2 and 5 of this condition, in respect of matters other than those to which Standard Conditions 4 (Charging of Gas Shippers - General) and 4A (Obligations as Regards Charging Methodology) relate, which are calculated, consistent with the licensee's duties under section 9 of the Act, to facilitate the achievement of the following objectives –
  - a. the efficient and economic operation of the pipe-line system to which this licence relates;
  - b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters;
  - c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;
  - d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers;
  - e. so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers;
  - f. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition; and
  - g. compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators,

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

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

- (a) the availability of a supply of gas which would equal the peak aggregate daily demand for gas by the relevant gas supplier's current domestic customers which, having regard to historical weather data derived from at least the previous 50 years and other relevant factors, is likely to be exceeded (whether on one or more days) only in 1 year out of 20 years; and
- (b) the availability of supplies of gas-
  - (i) over a year which would equal the aggregate annual demand for gas by those customers; and
  - (ii) over the first six months of a year which would equal the aggregate demand for gas by those customers during such a six month period,

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

1B. For the purposes of paragraph 1A, “daily” means over a period beginning at 5am on one day and ending immediately before 5am on the following day and “year” means a period of 12 months beginning with 1 October; and if, after consultation with all gas suppliers, gas shippers and gas transporters, with the Health and Safety Executive and Citizens Advice and 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 condition 16 (Pipe-line System Security Standards); and
- (b) sub-paragraph (b) of the definition of “security standards” in standard condition 1 (Definitions and Interpretation) of the standard conditions of gas shippers’ licences.

#### *Network Code*

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

#### *Uniform Network Code*

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

*Network Code Modification Procedures*

6. The licensee shall, together with the other relevant gas transporters, establish and operate procedures (“**network code modification procedures**”), for the modification of the uniform network code and/or of any network code prepared by or on behalf of each relevant gas transporter (including modification of the network code modification procedures themselves) so as to better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives.
7. The network code modification procedures shall provide for:
  - a. a mechanism by which
    - i. the uniform network code; and
    - ii. each of the network codes prepared by or on behalf of each relevant gas transporter, may be modified;
  - b.
    - i. the making of proposals for the modification of the uniform network code in accordance with paragraph 8; and/or
    - ii. the making of proposals for the modification of a network code prepared by or on behalf of a relevant gas transporter in accordance with paragraph 9(a);
  - c. the making of alternative modification proposals in accordance with paragraphs 8(b) and 9(b);
  - d. the giving of adequate publicity to any such proposal including, in particular, drawing it to the attention of all relevant gas transporters and all relevant shippers and sending a copy of the proposal to any person who asks for one;
  - dA. proper evaluation of the suitability of the self-governance route (in accordance with paragraph 12D) for a particular modification proposal;
  - dB. during a significant code review phase, proper evaluation of the relevance of the significant code review to a particular modification proposal;
  - e. the seeking of the views of the Authority on any matter connected with any such proposal;
  - f. the consideration of any representations relating to such a proposal made (and not withdrawn) by the licensee, any other relevant gas transporter, any relevant shipper, or any gas shipper or other person likely to be materially affected were the proposal to be implemented;
  - g. a proposed implementation date to be either:
    - (i) in accordance with any direction(s) issued by the Authority under paragraph

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7(k)(iii); or

(ii) where no direction has been issued by the Authority under paragraph 7(k)(iii),

such as to enable any modification proposal to be made as soon as practicable after receipt of a direction under paragraph 12(b);

h. establishing and maintaining, in accordance with such procedures for appointment or election as may be specified, a panel (the “**panel**”) which is to be responsible, by way of proceedings as may be specified, for the governance and administration of the uniform network code;

hA. a secretarial or administrative person or body, as specified in the uniform network code, to perform the role of code administrator (the “code administrator”). In addition to any powers, duties or functions set out in the uniform network code, the code administrator shall:

- (i) together with other code administrators, publish, review and (where appropriate) amend from time to time the Code of Practice approved by the Authority (any amendments to the Code of Practice are to be approved by the Authority);
- (ii) facilitate the network code modification procedures;
- (iii) have regard to, and in particular (to the extent relevant) be consistent with the principles contained in, the Code of Practice; and
- (iv) provide assistance, insofar as is reasonably practicable and on reasonable request, to parties (including, in particular, small participants) and, to the extent relevant, consumer representatives that request the code administrator’s assistance in relation to the uniform network code including, but not limited to, assistance with:
  - drafting a modification proposal;
  - understanding the operation of the uniform network code;
  - their involvement in, and representation during, the modification procedure processes (including but not limited to code panel and/or workgroup meetings);
  - accessing information relating to modification proposals and/or modifications.

i. where the Authority accepts that the uniform network code or a network code prepared by or on behalf of a relevant gas transporter may require modification as a matter of urgency, the exclusion, acceleration or other variation, subject to the Authority’s approval, of any particular procedural steps which would otherwise be applicable;

j. modification proposals made by the Authority or the licensee in accordance with paragraphs 8(a) and 9(a):

(i) to be accepted into the network code modification procedures by the panel;

(ii) where they are raised by the licensee, not to be withdrawn without the Authority’s prior consent;

(iii) to proceed in accordance with any timetable(s) directed by the Authority in accordance with paragraph 7(k);

k. compliance by the licensee and (where applicable) the panel with any direction(s) issued by the Authority under this paragraph setting and/or amending a timetable (in relation to a modification within the scope of paragraph 12CE) for the:

- (i) licensee to raise a modification proposal; and/or
  - (ii) completion of each of the procedural steps outlined in this paragraph 7 or paragraph 12CC, to the extent that they are relevant; and/or
  - (iii) implementation of a modification;
- l. each of the procedural steps outlined in this paragraph 7, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 7(k); and
  - m. the network code modification procedures to be consistent with the principles set out in the Code of Practice, to the extent that they are relevant
8. In respect of the uniform network code:
- a. a modification proposal may be made by the following:
    - i. the licensee;
    - ii. any other relevant gas transporter;
    - iii. any relevant shipper identified in the network code modification procedures as being entitled to propose a modification;
    - iv. any other relevant person (a “**third party participant**”) identified (individually or as a member of a class of persons) in the network code modification procedures as being entitled to propose a modification; and/or
    - v. the Authority (in relation only to modifications within the scope of paragraph 12CE); and
  - b. where a modification proposal has been made under paragraph 8(a) (an “**original proposal**”) alternative modification proposals may be made, in respect of any such original proposal, by any of the parties listed in paragraph 8(a) with the exception of the person who made the original proposal.
9. In respect of each network code (excluding the terms of the uniform network code incorporated within it):
- a. a modification proposal may be made by one of the following:
    - i. the licensee, to the extent that the modification proposed relates to the pipe-line system to which this licence relates;
    - ii. any relevant shipper identified in the network code modification procedures as being entitled to propose a modification;
    - iii. a third party participant; or
    - iv. the Authority (in relation only to modifications within the scope of paragraph 12CE); and
  - b. where a modification proposal has been made under paragraph 9(a) in respect of any such original proposal, by any of the parties listed in paragraph 9(a) with the exception of the person who made the original proposal.

*Modification of Network Code and the Uniform Network Code*

10. The licensee shall not make or permit any modification to the network code or to the uniform network code except:
- a. to comply with paragraph 12(b), 12CC(b)(i) or 13; or

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- b. with the written consent of the Authority;
  - c. in accordance with paragraph 12D (the “self-governance route”); or
  - d. in accordance with paragraph 12G (the “fast track self-governance route”),
- and shall furnish the Authority with a copy of any such modification made.

11. Where:

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

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

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



paragraph 12(a) which, in the opinion of the Authority, will, as compared to the existing provisions of the network code and/or (as the case may be) the uniform network code or any alternative proposal, better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives; or

- ii. to revise and re-submit a report provided in accordance with paragraph 12(a) where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal in accordance with paragraph 12(b)(i).

### *Significant code reviews*

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

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

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

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

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

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

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

- 12CA. The network code modification procedures shall provide that, if the Authority issues a statement under sub-paragraph 12C(bb) and/or a direction in accordance with paragraph 12CD, the significant code review phase will be deemed to have ended when:
- a. the Authority issues a statement that the significant code review phase has ended;
  - b. one of the circumstances in sub-paragraphs 12C(a) or (ba) occurs (irrespective of whether such circumstance occurs within twenty-eight (28) days after the Authority has published its significant code review conclusions); or
  - c. the Authority makes a decision consenting, or otherwise, to the modification of the network code pursuant to paragraph 12CC(c)(i).
- 12CB. The network code modification procedures shall provide that, where the Authority has issued a statement in accordance with sub-paragraph 12C(bb) and/or a direction in accordance with paragraph 12CD, the Authority may submit a modification proposal for a modification falling within the scope of sub-paragraph 12CE(b) to the panel.
- 12CC. The network code modification procedures shall provide, where the Authority submits a significant code review modification proposal to the panel in accordance with paragraph 12CB:
- a. for the licensee to give notice to the Authority:
    - i. including a recommendation by the panel as to whether the proposed modification should or should not be made, and the factors which (in the opinion of such body) justify the making or not making of the proposed modification, which shall include:
      - (aa) a detailed explanation of whether and, if so how, the proposed modification would better facilitate the achievement of the relevant objectives; and
      - (bb) where the impact is likely to be material, an assessment of the quantifiable impact of the proposed modification on greenhouse gas emissions, to be conducted in accordance with any such guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time;
    - ii. giving such further information as may be required to be given to the Authority by the network code modification procedures;
  - b. for the licensee to comply with any direction of the Authority:
    - i. to make a modification to the network code and/or the uniform network code in accordance with a proposal described in a notice given to the Authority under sub-paragraph 12CC(a) which, in the opinion of the Authority, will, as compared to the existing provisions of the network code and/or (as the case may be) the uniform network code or any alternative proposal, better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives; or
    - ii. to revise and re-submit a report provided in accordance with sub-paragraph 12CC(a) where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal in accordance with paragraph 12CC(b)(i);
  - c. for each of the procedural steps outlined in this paragraph 12CC, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 7(k).

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

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

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

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

### *Self-governance*

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

- a.
  - (i) in the view of the panel, the modification proposal meets all of the self-governance criteria and the panel has submitted to the Authority in respect of the modification proposal and not withdrawn a self-governance statement; or
  - (ii) if a self-governance statement has not been made, or has been withdrawn, the Authority has determined that the self-governance criteria are satisfied and the modification proposal is suitable for the self-governance route; and
- b. unless otherwise exempted by the Authority, the panel has sent copies of all consultation responses to the Authority at least seven (7) days before the panel intends to make its determination under paragraph 12D(d); and
- c. the Authority has not directed that the Authority's decision is required prior to the panel's determination under paragraph 12D(d); and
- d. the panel has, no earlier than seven (7) days after sending the consultation responses referred to at paragraph 12D(b), determined that the modification proposal should be implemented on the basis that it would, as compared with the then existing provisions of the network code and/or the uniform network code and any other modifications proposed in accordance with paragraph 8(b), better facilitate the achievement of the relevant objective(s); and
- e.
  - (i) no appeal has been raised up to and including 15 working days after the panel's determination under paragraph 12D(d) in respect of such modification proposal in accordance with paragraph 12E; or
  - (ii) an appeal has been raised in respect of such a modification proposal in accordance with paragraph 12E and the Authority has not quashed the panel's determination referred to at paragraph 12D(d) of this condition (and either remitted the relevant modification proposal back to the panel for reconsideration or taken the decision on the relevant modification proposal itself following the appeal).

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

- a.

(i) the appealing party is likely to be unfairly prejudiced by the implementation or non-implementation of that modification proposal; or

(ii) the appeal is on the grounds that:

(1) in the case of implementation, the modification may not better facilitate the achievement of at least one of the relevant objectives; or

(2) in the case of non-implementation, the modification may better facilitate the achievement of at least one of the relevant objectives; and

b. the appeal is not brought for reasons that are trivial or vexatious, nor does the appeal have no reasonable prospect of success.

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

a. where an appeal has been raised in respect of a modification proposal in accordance with paragraph 12E, that modification proposal shall be treated in accordance with any decision and/or direction of the Authority following that appeal; and

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

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

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

b. the panel unanimously determines that the modification should be made;

c. parties to the uniform network code and the Authority, have been notified of the proposed modification;

d. none of the persons named in sub-paragraph (c) have objected to the proposed modification being made via the fast track self-governance route in the fifteen (15) working days immediately following the day on which notification was sent; and

e. notification under sub-paragraph (c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.

13. Where any directions are given to the licensee under section 19 or 21(1) of the Act, the licensee shall make such modifications to the network code and/or the uniform network code as may be necessary to enable the licensee to comply with the directions under section 19 or 21(1) of the Act without contravening Standard Condition 4E (Requirement to Enter into Transportation Arrangements in Conformity with the Network Code).

14. The licensee shall provide a copy of the network code and the uniform network code as modified from time to time on a web-site freely available to all interested parties (the web-site address of which shall be given adequate publicity).

*Determinations by the Authority*

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

*Joint Governance Arrangements*

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

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19. The joint governance arrangements shall, without limitation, be such as are calculated, consistent with the efficient discharge of each relevant gas transporter's obligations under the Act and its respective licence:
- a. to ensure compliance with the network code modification procedures;
  - b. so far as consistent with sub-paragraph (a), to promote efficiency in the administration of the network code modification procedures and the other matters subject to the JGA agreement; and
  - c. to avoid undue discrimination or preference as between the relevant gas transporters.

*Miscellaneous*

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

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

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

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

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

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

- a. would meet the self-governance criteria; and

- b. is properly a housekeeping modification required as a result of some error or factual change, including but not limited to:
  - i. updating names or addresses listed in the network code and/or the uniform network code;
  - ii. correcting minor typographical errors;
  - iii. correcting formatting and consistency errors, such as paragraph numbering; or
  - iv. updating out of date references to other documents or paragraphs.

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

- a. is unlikely to have a material effect on:
  - i. existing or future gas consumers;
  - ii. competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes;
  - iii. the operation of one or more pipe-line system(s);
  - iv. matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
  - v. the network code modification procedures; and
- b. is unlikely to discriminate between different classes of parties to the uniform network code / relevant gas transporters or gas shippers.

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

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

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

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

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

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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

“significant code review phase” means the period

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

and

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

“small participant” means

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



## **Condition 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 consultation with the licensee and where appropriate any other person likely to be materially affected and after having 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:

<b>Commencement Date</b>	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.
<b>DCC Licence</b>	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.
<b>Smart Energy Code</b>	means the document of that name, as designated by the Secretary of State under Condition 22 of the DCC Licence.
<b>SEC Designated Date</b>	means the date the Smart Energy Code is designated by the Secretary of State in a direction given for the purposes of Condition 22 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 sub-contracting 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.

“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 12: Not used**

**Condition 13: Not Used**

## **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 Codethat 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 16: 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;
  - (b) 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 licensee's pipe-line system (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 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 condition 9 (Network Code); 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.
  
- 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.

## **Condition 17: Provision of services for specific domestic customer groups**

### **Eligibility for services**

1. The licensee must set up and maintain practices and procedures to identify domestic customers who may be eligible for assistance under this condition as a result of its customer interaction, and offer these customers specific priority services.
2. Customers eligible for assistance under this condition are domestic customers who:
  - (a) are either:
    - (i) of pensionable age, disabled, chronically sick or live with children aged under five; or
    - (ii) otherwise in a vulnerable situation, and require additional services related to their access, communication and safety needs; and
  - (b) have:
    - (i) personally approached the licensee to register their details as an eligible customer under this condition;
    - (ii) had a person acting on their behalf ask for their name to be registered; or
    - (iii) had a relevant supplier or relevant distributor ask for their name and any relevant details to be suitably recorded for the purpose of providing additional services as described in this condition.

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

3. Where a relevant supplier or a gas supplier who is about to become such a supplier has -
  - (a) pursuant to paragraph 5(d) of standard condition 26 (Priority Services Register) 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**

4. The licensee must offer, free of charge, to agree a password with any customer who is eligible for assistance (or their representative), 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.
5. The licensee must provide facilities, free of charge to domestic customers, which enables any domestic customer who has additional communication needs to ask or complain about any service provided by the licensee.
6. In so far as permitted by any laws relating to data protection and/or privacy, the licensee must, upon becoming aware of a domestic customer who may be eligible for assistance under this condition give the relevant supplier and/or relevant distributor such details of that customer, in such intervals as are relevant to the performance of that supplier or distributor's obligations under its licence.
7. For the purposes of complying with its obligations under this condition (including in respect of obtaining, recording, using and sharing information), the licensee must comply with any laws relating to data protection and/or privacy.

### **Provision of information**

8. 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.
9. In relation to the statement prepared under paragraph 8, 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 to which this licence relates, of the existence of the statement and how to obtain it;
  - (c) when asked to do so by a customer with additional communication needs, provide to that customer whose premises are connected to the pipe-line system to which this licence relates the statement in a manner or a format that is suitable for that customer's needs;



- (d) when asked to do so, provide to a domestic customer whose premises are connected to the pipe-line system to which this licence relates 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.

10. The statement prepared under paragraph 8 may, at the licensee's choice, be published as a single document that may also include the statements referred to in Standard Condition 18 (Arrangements for access to premises)

### **Other domestic customers and other services**

11. Nothing in this condition prevents the licensee from:

- (a) including domestic customers additional to those specified under paragraph 2; or
- (b) providing services to domestic customers that exceed those required under this condition.

### **Interpretation**

12. For the purposes of this condition:

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

**“relevant distributor”** means the licenced electricity distributor to whose electricity distribution network the domestic customer's premises are connected.

### **Standard Condition 18: Arrangements for access to premises**

1. 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 2 of Standard Condition 17 (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.
2. 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.
3. The licensee must prepare a statement that sets out, in plain and intelligible language, its arrangements for complying with its obligations under paragraph 1.
4. In relation to the statement prepared under paragraph 3 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 to which this licence relates 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 to which this licence relates 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 to which this licence relates 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.
5. The statement prepared under paragraph 3 may, at the licensee's choice, be prepared and published as a single document that may also include the statements referred to in Standard Condition 17 (Provision of services for specific domestic customer groups)
  6. In paragraph 2, 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 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.

## **Standard Condition 21: Reporting on Performance**

1. 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 Condition 17 (Provision of services for specific domestic customer groups), Standard Condition 18 (Arrangements for access to premises)
2. The information provided by the licensee under paragraph 1 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.
3. Prior to issuing a direction under paragraph 2 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.

## **Standard Condition 22: Provision of information during unplanned interruptions**

1. This condition applies where the supply of gas which has been conveyed through pipes to customer's premises connected to the licensee's pipe-line system is interrupted as a result of an emergency or other unplanned event and the licensee reasonably expects that the interruption will continue for more than 24 hours.
  
2. For each relevant period, the licensee shall:
  - (a) in aggregate in respect of events where the premises of 250 customers or less are affected, inform 97 per cent of customers (verbally or by means of appropriate written notification delivered to the customer's premises), within 12 hours of the time at which the licensee is made aware that an interruption has or reasonably could be expected to have occurred, of the intended programme for (including the expected date of) restoration of supply and the means by which the licensee intends to comply with sub-paragraph (c) of this condition;
  - (b) in at least 97 per cent of events where the premises of more than 250 customers are affected, within 12 hours of the time at which the licensee is made aware that an interruption has or could reasonably be expected to have occurred, make public announcements (including by means of local public address systems and radio broadcasts) in the area affected specifying the intended date for supply restoration, describing the intended supply restoration programme and the means by which the licensee intends to comply with sub-paragraph (c) of this condition; and
  - (c) in at least 97 per cent of cases, upon the expiry of each succeeding period of 24 hours from the notification under sub-paragraph (a) or announcement under (b) of this paragraph 2, provide, (including, where appropriate, but not limited to, by means of the telephone enquiry service provided under standard condition 6 (Emergency Services and Enquiry Service Obligations) of this licence) a progress report and revised information on the intended date of supply restoration unless the customer or customers have already been made aware of the current progress and current expected date of restoration by such means.
  
3. For the purpose of this condition:

- (a) relevant period means the 36 months starting 1 April 2008 and thereafter each succeeding rolling period of 36 months starting on 1 April in each subsequent year;
- (b) where more than one person is a customer in respect of particular premises, a notice given by the licensee to any person who is a customer in respect of those premises shall be sufficient notice to any other person who is a customer in respect of those premises at the time the notice is given;
- (c) where a person is a customer in respect of more than one premises, a reference in this condition to customer is a reference to that person in respect of each of the premises of which that person is a customer to which the condition applies; and
- (d) any reference to a customer shall include any person having apparent authority to represent the customer.



**Condition 23: Not used**

## **Condition 24: 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 requirement 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 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 to 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 the 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 where the ultimate controller is a corporate body or 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.
7. 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.
8. 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.
9. In this condition “transportation business” includes storage arrangements which relate to the utilisation of–
- (a) an offshore gas storage installation;
  - (b) storage cavities in natural strata; or
  - (c) containers for the storage of gas in a liquid state
10. 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 the storage of gas in particular categories of the facilities mentioned in paragraph 9(a), (b) or (c) and its view on that question, considers it appropriate that paragraph 9 should be

modified by the omission of sub-paragraph (a), (b) or (c), then the sub-paragraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally; and, if all three subparagraphs come to be omitted, paragraph 9 and the reference thereto in the definition of “transportation business” in standard condition 1 (Definitions and Interpretation) shall cease to have effect.

## **Condition 25: Long Term Development Statement**

1. The licensee shall comply with a direction given by the Authority to prepare a statement in such form as may be specified in the direction giving, with respect to each of the 10 succeeding years beginning with 1st October, such information by way of forecasts of -
  - (a) the use likely to be made of any individual pipe-line system which includes high pressure pipe-lines operated by the licensee and of any such facilities as are mentioned in paragraph 6; and
  - (b) the likely developments of that system and those facilities which the licensee expects from time to time to be taken into account in determining the charges for making connections to that system and in pursuance of transportation arrangements,  
as it is reasonably practicable for the licensee to provide and which will assist a person who contemplates -
    - (i) seeking the connection of a pipe-line of his to the licensee's pipe-line system;
    - (ii) entering into transportation arrangements with the licensee; or
    - (iii) seeking the connection of the licensee's pipe-line system to premises which would reasonably be expected to be supplied with gas at a rate exceeding 2,196,000 kilowatt hours a year,in identifying and evaluating the opportunities for doing so.
2. Except in so far as the Authority consents to the licensee not doing so, the licensee shall on an annual basis prepare a revision of any statement prepared under paragraph 1 so as to ensure that, so far as is reasonably practicable, the information in the revised statement is up to date.
3. The licensee shall, subject to any requirement to comply with the listing rules (within the meaning of Part IV of the Financial Services Act 1986) of The Stock Exchange and with paragraph 4 below -
  - (a) furnish the Authority with a copy of the statement prepared under paragraph 1 and of each revision of the statement prepared under paragraph 2;
  - (b) in such form and manner as the Authority may direct, publish such a summary of the statement or, as the case may be, of a revision of the statement as will assist

a person in deciding whether to ask for a copy of the version mentioned in sub-paragraph (c); and

- (c) prepare a version of the statement or revision which excludes, so far as is practicable, any such matter as is mentioned in paragraph 4 and send a copy thereof 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 for the purposes hereof.
4. In complying with the requirements of paragraph 3(b), the licensee shall have regard to the need for excluding, so far as is practicable, any matter which relates to the affairs of a person where the publication of that matter would or might seriously and prejudicially affect his interests.
5. Any question arising under paragraph 4 as to whether the publication of some matter which relates to the affairs of a person would or might seriously and prejudicially affect his interests shall be determined by the Authority.
6. In this condition “transportation arrangements” includes storage arrangements which relate to the utilisation of –
- (a) an offshore gas storage installation;
  - (b) storage cavities in natural strata; or
  - (c) containers for the storage of gas in a liquid state.
7. 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 the storage of gas in particular categories of the facilities mentioned in paragraph 6(a), (b) or (c) and its view on that question, considers it appropriate that paragraph 6 should be modified by the omission of sub-paragraph (a), (b) or (c), then the sub-paragraph in question shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for the purposes of this condition generally; and, if all three sub-paragraphs come to be omitted, paragraph 6 and the reference thereto in the definition of “transportation arrangements” in standard condition 1 (Definitions and Interpretation) shall cease to have effect.

## **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 five years after the ARS Specified Date.

### **Interpretation and Definitions**

26.10 In this condition:

**ARS Specified Date** has the meaning given to it in standard condition 1 of the Standard Conditions of Gas Supply Licences.

**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 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-deduct 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 29: Disposal of Assets and restrictions on charges over Receivables**

1. The licensee shall not dispose of or relinquish operational control over any transportation asset or storage asset otherwise than in accordance with the provisions of this condition.
2. Subject to paragraph 3, the licensee must not, after 1 April 2013, grant any mortgage, charge, or other form of security over any receivable except in accordance with the provisions of this condition.
3. The licensee may permit any mortgage, charge, or other form of security over any receivable in effect at the date mentioned in paragraph 2 to remain in effect and may vary its terms so long as the variation does not have the effect of materially extending the scope of the mortgage, charge, or other form of security insofar as it applies to the licensee's receivables.
4. Save as provided in paragraphs 5, 6, or 8, the licensee shall give to the Authority not less than two months' prior written notice of:
  - (a) its intention to dispose of or relinquish operational control over any transportation asset or storage asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset; or
  - (b) its intention to grant any mortgage, charge, or other form of security over any receivable or class or classes of receivables together with such further information as the Authority may request relating to such receivable, class or classes of receivables or the circumstances of the intended grant of the mortgage, charge or other form of security.
5. Notwithstanding paragraphs 1 and 4(a), the licensee may dispose of or relinquish operational control over a transportation asset or storage asset where:

- (a) the Authority has issued directions for the purposes of this condition generally containing a general consent (whether or not subject to conditions) to:
    - (i) transactions of a specified description; or
    - (ii) the disposal of or relinquishment of operational control over an asset of a specified description; and
  - (b) the transaction or the assets are of a description to which such directions apply and the disposal or relinquishment is in accordance with any conditions to which the consent is subject.
6. Notwithstanding paragraphs 2 and 4(b), the licensee may grant a mortgage, charge, or other form of security over a Receivable or class or classes of Receivables where:
- (a) the indebtedness of the licensee which is to be secured represents the novation or rollover of existing indebtedness; and
  - (b) the proceeds of the indebtedness of the licensee which is to be secured are used to repay the existing indebtedness referred to in sub-paragraph (a).
7. For the purposes of paragraph 6, what is meant in any particular case by:
- (a) “existing indebtedness”; and
  - (b) “proceeds of the indebtedness”
- is to be treated as a question of fact.
8. Notwithstanding paragraphs 1, 2, and 4 the licensee may dispose of or relinquish operational control over any transportation asset or storage asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable where the transaction in question is required by or under any enactment, any provision of subordinate legislation within the meaning of the Interpretation Act 1978, or a regulation of the Council or Commission of the European Union that has effect in EU Law immediately before IP completion day.
9. Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over any transportation asset or storage asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable as is specified in any notice given by the licensee under paragraph 4 where:

- (a) the Authority confirms in writing that it consents to such disposal or relinquishment or grant (which consent may be made subject to acceptance, by the licensee or any third party to the transaction in question, of such conditions as the Authority may specify); or
  - (b) the Authority does not inform the licensee in writing of any objection to such disposal, relinquishment or grant within the notice period referred to in paragraph 4.
10. If a transportation asset comprises a significant part of the gas conveyance system in Great Britain, notwithstanding that a disposal of or relinquishment of operational control over the asset is permitted under paragraph 5, 8 or 9, the licensee shall notify the Secretary of State at least 60 days in advance of the proposed disposal of or relinquishment of operational control over the asset; and if the Secretary of State directs the licensee, within 30 days of such notification, not to proceed with the disposal of or the relinquishment of operational control over the asset, the licensee shall comply with the direction.
11. In this condition -
- “disposal” means:
- (a) in relation to disposal of a transportation asset or storage asset situated in England and Wales includes any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge, or grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition;
  - (b) in relation to disposal of a transportation asset or storage asset situated in Scotland includes the grant of any disposition, conveyance, contract of excambion, any lease, 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;
- “storage asset” means -

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

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

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

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

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

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



### **Condition 30: Accounts**

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

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

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

#### **Internal accounting**

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

#### **Audit requirement**

6. Subject to paragraph 8, the licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor for the completion of agreed upon procedures in relation to the prohibition of cross-subsidies and discrimination contained in paragraph 3 of Article 31 of the Directive.

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 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.

**Condition 30A: Not Used**

### **Condition 31: 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”).
  
2. The licensee shall ensure that the Supply Point Information Service fulfils, for all premises connected to the licensee’s pipe-line system, 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 gas 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 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).

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 licensee's pipe-line system, including secondary sub-duct 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.

4.A 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.

## **SECTION C: TRANSPORTATION SERVICES OBLIGATIONS**

### **Condition 32: Interpretation of Section C**

5. In this Section of the standard conditions, unless the context otherwise requires:

“permitted purpose”

means the purpose of all or any of the following:

- (a) the transportation business or any other business or activity within the limits of paragraph 4 of standard Condition 43 (Restriction on Activity and Financial Ring-fencing);
- (b) without prejudice to the generality of paragraph (a), any payment or transaction lawfully made or undertaken by the licensee for a purpose within purpose within sub-paragraphs 1(b)(i) to (vii) of standard Condition 47 (Indebtedness).



### **Condition 33: Designated Registrar of Pipes**

1. The Authority may by notice designate the licensee as the Designated Registrar of Pipes in relation to all mains (including mains operated by other gas transporters, and, insofar as the licensee is able to obtain details, by persons exempted from section 5(1)(a) of the Act by section 6A thereof) in an area specified or described and from the date specified in the notice.
2. Paragraphs 3 to 5 shall apply to the licensee where it has been given a notice under paragraph 1.
3. From the date specified in the notice given by the Authority under paragraph 1, the licensee shall establish, operate and maintain or procure the establishment, operation and maintenance of a service to be known as the Main Administration Service.
4. The licensee shall ensure the Main Administration Service, within the area specified or described in the notice given by the Authority under paragraph 1, fulfils the following functions:
  - (a) the receipt and processing of data provided, in a form and format reasonably specified by the licensee and approved by the Authority, by gas transporters (including itself) and exempt persons mentioned in paragraph 1 to the Designated Registrar of Pipes pursuant to standard condition 5A (Information to be Provided to the Designated Registrar of Pipes);
  - (b) the recording of the data so received and processed in the form (to be approved by the Authority) of a register of all mains notified pursuant to standard condition 5A (Information to be Provided to the Designated Registrar of Pipes) in the said area;
  - (c) the maintenance of an enquiry service to provide on request to any person, on payment by the person making the enquiry to the licensee of a fee equal to the reasonable cost to the licensee of complying with the request, a plan showing whether any main operated by any gas transporter or any exempt person mentioned in paragraph 1 is, according to the data received pursuant to standard condition 5A (Information to be Provided to the Designated Registrar of Pipes), situated within 23 metres of the proposed location of a main which the person making the enquiry is considering laying and if there is any such main according to the data received pursuant to standard

condition 5A (Information to be Provided to the Designated Registrar of Pipes), all the data in the register relating to that main.

- 5 In fulfilling its obligation in accordance with this condition the licensee shall not restrict, distort or prevent competition in a market for the provision of connections by any person pursuant to section 10 of the Act.

**Condition 34: Not used**

**Condition 35: Not used**

**Condition 36: Not used**

**Condition 37: Not used**

### **Condition 38: Availability of Data Formats**

1. Where the licensee uses standard file formats for transferring data, for any purposes set out in the licensee's Network Code, between any persons identified in such Network Code as appropriate persons for the receipt of the data, it shall make those standard file formats and associated definitions of data items available, free of charge, to shippers and other gas transporters for their use in connection with their licensed activities.

**Condition 39: Restriction on Use of Certain Information and Independence of the Transportation Business**

1. Subject to paragraph 2, the licensee shall use its best endeavours to secure that:
  - (a) no information relating to, or derived from, its transportation business is disclosed for the benefit of any trading business conducted by the licensee or any such person as is mentioned in paragraph 5; and
  - (b) no information derived from its transportation business is used for the purposes of any trading business conducted by the licensee or (so far as the licensee has powers in that behalf) of a trading business conducted by any such person as is mentioned in paragraph 5.
  
2. Paragraph 1 shall not apply in so far as:
  - (a) the Authority so consents;
  - (b) a gas shipper or gas supplier has, for the purposes hereof, consented in writing to the use or disclosure of information relating to that shipper or supplier;
  - (c) it is necessary or expedient that the information be used or disclosed to enable such a person as is mentioned in paragraph 5 to enter into arrangements for the connection of a facility for the storage of gas to the pipe-line system of the licensee or to enter into transportation arrangements with the licensee or to give effect to such arrangements;
  - (d) the information has been published or is required to be disclosed as mentioned in paragraph 1(a) in pursuance of any other standard condition of this licence;
  - (e) the information (otherwise than in consequence of a contravention of any standard condition of this licence) is in the public domain; or
  - (f) it is information of the kind to which sub-paragraphs (b) to (d) above refer and is disclosed to persons acting on behalf of the licensee engaged in a trading business of the type described in sub-paragraph 3(b) below.
  
3. In this condition “trading business” means:
  - (a) activities connected with the acquisition and disposal of gas 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:

(i) such activities relating to gas intended for consumption outside Great Britain as are designated for the purposes of this condition by the Authority; or

(ii) in the case of the licensee, such activities in connection with either the efficient operation of its pipe-line system or the replacement of gas lost from that system.

4. In this condition “transportation business” includes storage arrangements, and in subparagraph 2(c) “transportation arrangements” includes storage arrangements.

5. 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 the storage of gas in storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 4 then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose and the reference thereto in the definitions of “transportation arrangements” and “transportation business” in standard condition 1 (Definitions and Interpretation) shall cease to have effect.

6. The persons referred to in paragraphs 1(a) and (b) and 2(c) are:

(a) any affiliate of the licensee; and

(b) any related undertaking of the licensee.

7. The licensee shall take all reasonable precautions against the risk of failure to comply with paragraph (1) including:

(a) restrictions on the communication of information to persons engaged in any trading business conducted by the licensee or any such person as is referred to in paragraph 6;

- (b) restrictions on access by persons engaged in any trading business conducted by the licensee or any such person as is referred to in paragraph 6 to:
  - (i) premises or parts of premises occupied by persons engaged in the transportation business; and
  - (ii) recorded information relating to the transportation business;
- (c) the prevention (so far as the licensee can require it) of any person who has ceased to be engaged in the transportation business from being engaged in such a trading business until the expiry of the appropriate period since he ceased to be engaged in the transportation business.

8. In sub-paragraph 7(c) “the appropriate period” means:

- (a) a period of 3 months, or
- (b) such shorter or longer period as, following a recommendation by the Compliance Officer (the licensee is required to employ under standard condition 40 (Appointment of Compliance Officer)) the Authority may direct in respect of any person or class of persons.

#### **Condition 40: Appointment of Compliance Officer**

1. The licensee shall ensure that:
  - (a) at all times it employs a competent person (hereafter referred to as “the Compliance Officer”) for the purpose of facilitating compliance by the licensee with standard condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business);
  - (b) it consults the Authority before employing any person as the Compliance Officer; and
  - (c) the Compliance Officer is provided with such staff and facilities as he may reasonably require to perform the tasks assigned to him pursuant to this condition.
  
2. The licensee shall assign the following tasks to the Compliance Officer -
  - (a) the establishment of procedures, after seeking representations from gas shippers and gas suppliers and after consulting the Authority, for ensuring that the precautions referred to in paragraph 7 of standard condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business) are effectively complied with;
  - (b) the investigation of any matter which is the subject of a representation made by a gas shipper or gas supplier that the licensee or any such person as is referred to in paragraph 6 of standard condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business) may be contravening paragraphs 1, 2, or 8 of standard condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business) obligations or that the procedures established under sub-paragraph (a) are not being complied with or are defective;
  - (c) the giving of advice to directors and employees of the licensee or any such person as is referred to in paragraph 7 of standard condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business) for facilitating compliance with paragraph 1 of standard condition 4D (Conduct of Transportation Business), or paragraphs 1 or 7 of standard condition 39 (Restriction on Use of Certain Information and Independence of the



Transportation Business) and the procedures established under sub-paragraph (a) and, in particular, as to whether any information is information to which paragraph 1 of standard condition 39 (Restriction on Use of Certain Information and Independence of the Transportation Business) thereof applies; and

- (d) the giving of information or advice as to the procedures established under sub-paragraph (a) to any gas shipper or gas supplier requesting it.
3. The licensee shall, as soon as practicable after the end of each financial year, furnish to the Authority and publish in such form and manner as the Authority may direct, a comprehensive report on the Compliance Officer's activities during that year.

**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 41: Prohibition of Cross-Subsidies**

1. The licensee shall ensure 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.

**Condition 42: Not used**

### **Condition 43: Restriction on Activity and Financial Ring Fencing**

1. Save as provided by paragraphs 3 and 4, the licensee shall not conduct any business or carry on any activity other than the transportation business.
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 the transportation business; 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 transportation business; and
  - (ii) any other business activity to which the Authority has given its consent in writing in accordance with paragraph 3(d).
- (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 licensee as shown by its most recent audited historical cost accounting statements; 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 its most recent audited historical cost accounting statements.
- (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 the date on which this condition came into effect (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 subparagraph (d)(i).

5. For the purpose 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.

#### **Condition 44: 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 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 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; and
  - (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 on the licensee's 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 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 Condition 24 (Provision of Information to the Authority), Standard Condition 43 (Restriction on Activity and Financial Ring Fencing), Standard Condition 44 (Availability of Resources), Standard Condition 45 (Undertaking from Ultimate Controller), Standard Condition 46 (Credit Rating of the Licensee) and Standard Condition 47 (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 Condition 24 (Provision of Information to the Authority), Standard Condition 43 (Restriction on Activity and Financial Ring Fencing), Standard Condition 44 (Availability of Resources), Standard Condition 45 (Undertaking from Ultimate Controller), Standard Condition 46 (Credit Rating of the Licensee) and Standard Condition 47 (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 Condition 24 (Provision of Information to the Authority), Standard Condition 43 (Restriction on Activity and Financial Ring Fencing), Standard Condition 44 (Availability of Resources), Standard Condition 45 (Undertaking from Ultimate Controller), Standard Condition 46 (Credit Rating of the Licensee) and Standard Condition 47 (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 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 Condition 1 (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 Condition 29 (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.

#### **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 given.

## **Condition 46: Credit Rating of Licensee**

1. The licensee shall take all appropriate steps to ensure that the licensee maintains at all times an investment grade issuer credit rating, or with the prior written permission of the Authority, any such arrangements as the Authority considers appropriate.
  
2. In this condition:  
“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, in the opinion of the Authority, notified in writing to the licensee, is equivalent to those referred to in sub-paragraphs (a), (b), (c) or (d) and issued by:
    - (i) any of the credit rating agencies 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.
  
3. In relation to any issuer credit rating, “investment grade” means:
  - (a) unless sub-paragraph (b) below applies:
    - (i) an issuer credit rating of not less than BBB- by Standard & Poor’s Ratings Group or any of its subsidiaries;
    - (ii) an issuer credit rating of not less than Baa3 by Moody’s Investors Service Inc. or any of its subsidiaries;
    - (iii) an issuer credit rating of not less than BBB- by Fitch Ratings Ltd or any of its subsidiaries;

- (iv) an issuer credit rating of not less than BBB (low) by DBRS Ratings Limited or any of its affiliates; or
  - (v) a rating which, in the opinion of the Authority, notified in writing to the licensee, is equivalent to those referred to in sub-paragraphs (i), (ii), (iii) and (iv) and issued by:
    - (aa) any of the credit rating agencies referred to in subparagraphs (i), (ii), (iii) or (iv); or
    - (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.
- (b) such higher rating as may be specified by those agencies from time to time as the lowest investment grade issuer credit rating.

## **Condition 47: Indebtedness**

1. In addition to the requirements of Standard Condition 29 (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 or continue or permit to remain in effect 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 Condition 29 (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 sub-paragraph (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 Condition 43 (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 or 9 below (as the case may be) 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. Where the Authority has not granted permission for the use of alternative arrangements in accordance with paragraph 1 of Standard Condition 46 (Credit Rating of licensee), then 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 10, 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 Condition 46 (Credit Rating of Licensee) and such rating:
  - (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

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 Condition 44 (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 Condition 44 (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 Condition 44 (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 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 paragraph 10, or the Authority has not provided a substantive response to such a written request within seven days of receiving it.
9. Where the Authority has granted permission for the use of alternative arrangements in accordance with paragraph 1 of Standard Condition 46 (Credit Rating of Licensee), then 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 10, if:
- (a) the alternative arrangements for which the Authority has granted permission are not maintained in accordance with the conditions imposed by the Authority when giving written permission pursuant to paragraph 1 of Standard Condition 46 (Credit Rating of Licensee); or
  - (b) either of the circumstances described in paragraphs 7 and 8 applies.
10. Where under the provisions of either paragraph 3 or paragraph 9, 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.

11. 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 Condition 1 (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 paragraph (a) of the definition of permitted purpose set out in Standard Condition 32 (Interpretation of Section C)



“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.
“investment grade”	has the meaning given in paragraph 2 of Standard Condition 46 (Credit Rating of Licensee)
“issuer credit rating”	has the meaning given in paragraph 2 of Standard Condition 46 (Credit Rating of 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: <ul style="list-style-type: none"> <li>a) that other person holds a participating interest in the person; or</li> <li>b) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person.</li> </ul>
“participating interest”	has the meaning given in section 421A of the Financial Services and Markets Act 2000.

#### **Condition 48: 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”) 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 financial 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. 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 condition 4 (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 the 31st December, the following year after the valid claim was received;  
or

(ii) where the claim was received by the licensee after the 31st 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 give 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 with 1<sup>st</sup> April.

- (b) The interest referred to in sub-paragraph (a) 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.

- 16. 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 Services Provider), unless the Authority otherwise consents in writing.
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