National Grid Gas plc

Gas Transporter Licence

Special Conditions
Contents

Chapter 1: Interpretation and definitions
  Special Condition 1.1 Interpretation and definitions 5
  Special Condition 1.2 Variations to the standard special conditions for the purposes of this licence 44

Chapter 2: Revenue restriction
  Special Condition 2.1 Transportation owner revenue restriction (ARt) 46
  Special Condition 2.2 Transportation owner tax allowance adjustment (TAXAt) 50
  Special Condition 2.3 System operator revenue restriction (SOAr) 51
  Special Condition 2.4 System operator tax allowance adjustment (SOTAXAt) 55
  Special Condition 2.5 Return Adjustment (RTNAr) 56

Chapter 3: Totex Allowance adjustments
  Special Condition 3.1 Baseline Network Risk Outputs (NARMt and NARMAHt) 59
  Special Condition 3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment (CROTt and CROTREt) 62
  Special Condition 3.3 Cyber resilience information technology Re-opener and Price Control Deliverable (CRITt and CRITREt) 67
  Special Condition 3.4 Physical security Re-opener and Price Control Deliverable (PSUPt and PSUPREt) 72
  Special Condition 3.5 Net Zero And Re-opener Development Fund use it or lose it allowance (RDFt) 75
  Special Condition 3.6 Net zero Re-opener (NZt) 77
  Special Condition 3.7 Non-operational IT Capex Re-opener (NOITt) 79
  Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAMt) 81
  Special Condition 3.9 Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZPt) 83
  Special Condition 3.10 Bacton terminal site redevelopment Re-opener and Price Control Deliverable (BTRt and BTREt) 85
  Special Condition 3.11 Compressor emissions Re-opener and Price Control Deliverable (CEPt and CEPREt) 88
  Special Condition 3.12 King’s Lynn subsidence Re-opener and Price Control Deliverable (KLSAt and KLSREt) 92
  Special Condition 3.13 Funded incremental obligated capacity Re-opener and Price Control Deliverable (FIOCt and FIOCREt) 94
  Special Condition 3.14 Asset health Re-opener (AHt) 98
  Special Condition 3.15 Asset health – non-lead assets Price Control Deliverable (NLAAt and NLAAHt) 101
  Special Condition 3.16 Redundant Assets Price Control Deliverable (RAAt) 103
  Special Condition 3.17 Uncertain Costs Re-opener (QLt and PDt) 104
  Special Condition 3.18 Opex escalator (OEt) 105

Chapter 4: Output delivery incentives 107
Special Condition 4.1 Total output delivery incentive performance (ODI_t) 107
Special Condition 4.2 Customer satisfaction survey output delivery incentive (CSI_t) 107
Special Condition 4.3 Environmental scorecard output delivery incentive (ESI_t) 109

Chapter 5: Other revenue allowances 115
Special Condition 5.1 Transportation owner other revenue allowance (ORA_t) 115
Special Condition 5.2 RIIO-2 network innovation allowance (NIA_t) 115
Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA_t) 118
Special Condition 5.4 System operator other revenue allowance (SOORA_t) 120
Special Condition 5.5 Entry Capacity and Exit Capacity Constraint Management (CM_t) 120
Special Condition 5.6 System operator external incentives, revenues and costs (SOIRC_t) 126

Chapter 6: Pass-through expenditure 141
Special Condition 6.1 Transportation owner pass-through items (PT_t) 141
Special Condition 6.2 Gas conveyed to Independent Systems (IS_t) 143
Special Condition 6.3 System operator pass-through items (SOPT_t) 146

Chapter 7: Legacy adjustments 147
Special Condition 7.1 Transportation owner legacy adjustments (LAR_t) 147
Special Condition 7.2 Transportation owner legacy pass-through (LPT_t) 147
Special Condition 7.3 Transportation owner legacy MOD (LMOD_t) 148
Special Condition 7.4 Transportation owner legacy K correction (LK_t) 149
Special Condition 7.5 Transportation owner legacy TRU term (LTRU_t) 150
Special Condition 7.6 Close out of the RIIO-1 Network Outputs (NOCO_t) 150
Special Condition 7.7 RIIO-GT1 network innovation competition (NICFi) 152
Special Condition 7.8 Close out of the RIIO-GT1 stakeholder satisfaction output (SSCO_t) 154
Special Condition 7.9 Legacy net RAV additions (LRAV_t) 155
Special Condition 7.10 System operator legacy adjustments (SOLAR_t) 155
Special Condition 7.11 System operator legacy MOD (SOLMOD_t) 156
Special Condition 7.12 System operator legacy K correction (SOLK_t) 157
Special Condition 7.13 System operator legacy TRU term (SOLTRU_t) 157
Special Condition 7.14 Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue (LCMIR_t) 158
Special Condition 7.15 Close out of the RIIO-GT1 Constraint Management cost adjustment (LCMCA_t) 159
Special Condition 7.16 Close out of the RIIO-GT1 Transportation Support Services adjustment (LTSS_t) 160
Special Condition 7.17 System operator legacy net RAV additions (SOLRAV_t) 160

Chapter 8: Governance 162
Special Condition 8.1 Governance of the GT2 Price Control Financial Instruments 162

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
<table>
<thead>
<tr>
<th>Chapter 9: General obligations</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Condition 8.2 Annual Iteration Process for the GT2 Price Control Financial Model</td>
<td>164</td>
</tr>
<tr>
<td>Special Condition 9.1 Annual Environmental Report</td>
<td>169</td>
</tr>
<tr>
<td>Special Condition 9.2 Network Asset Risk Metric methodology</td>
<td>170</td>
</tr>
<tr>
<td>Special Condition 9.3 Price Control Deliverable Reporting Requirements and Methodology Document</td>
<td>173</td>
</tr>
<tr>
<td>Special Condition 9.4 Re-opener Guidance and Application Requirements Document</td>
<td>174</td>
</tr>
<tr>
<td>Special Condition 9.5 Digitalisation</td>
<td>176</td>
</tr>
<tr>
<td>Special Condition 9.6 Disapplication of Relevant Special Conditions</td>
<td>178</td>
</tr>
<tr>
<td>Special Condition 9.7 Directly Remunerated Services</td>
<td>180</td>
</tr>
<tr>
<td>Special Condition 9.8 Tax Reconciliation assurance statement</td>
<td>183</td>
</tr>
<tr>
<td>Special Condition 9.9 Allocation of revenues and costs for calculations under the price control in respect of the NTS Transportation Owner Activity and NTS System Operation Activity</td>
<td>184</td>
</tr>
<tr>
<td>Special Condition 9.10 Long term network planning</td>
<td>186</td>
</tr>
<tr>
<td>Special Condition 9.11 Transmission Planning Code</td>
<td>188</td>
</tr>
<tr>
<td>Special Condition 9.12 Licensee’s Network Model</td>
<td>190</td>
</tr>
<tr>
<td>Special Condition 9.13 Capacity Requests, Baseline Capacity and Capacity Substitution</td>
<td>192</td>
</tr>
<tr>
<td>Special Condition 9.14 Prohibited procurement activities</td>
<td>204</td>
</tr>
<tr>
<td>Special Condition 9.15 NTS shortfall contribution obligations</td>
<td>205</td>
</tr>
<tr>
<td>Special Condition 9.16 Restriction of prices in respect of Tariff Capped Metering Activities</td>
<td>208</td>
</tr>
<tr>
<td>Special Condition 9.17 Entry Capacity and Exit Capacity obligations and methodology statements</td>
<td>210</td>
</tr>
<tr>
<td>Special Condition 9.18 Methodology to determine the release of Entry Capacity and Exit Capacity volumes</td>
<td>214</td>
</tr>
<tr>
<td>Special Condition 9.19 System Management Services</td>
<td>217</td>
</tr>
<tr>
<td>Special Condition 9.20 Independent market for balancing</td>
<td>221</td>
</tr>
<tr>
<td>Special Condition 9.21 Provision of information</td>
<td>222</td>
</tr>
<tr>
<td>Special Condition 9.22 Implementing and maintaining the Demand Side Response Methodology for use after a Gas Balancing Notification</td>
<td>223</td>
</tr>
</tbody>
</table>
Chapter 1: Interpretation and definitions

Special Condition 1.1 Interpretation and definitions

Introduction

1.1.1 The purpose of this condition is to provide for the special conditions of this licence:

(a) some provisions of general interpretation; and
(b) the meaning of the defined terms, which are capitalised throughout the special conditions.

Part A: Interpretation

1.1.2 Wherever the subscript ‘t’ is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.

1.1.3 A positive or negative numerical notation indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before.

1.1.4 In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are explained in those special conditions.

1.1.5 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee will be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid.

1.1.6 Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:

(a) giving it to such extent, for such period of time, and subject to such conditions as the Authority thinks reasonable in all the circumstances of the case; and

(b) revoking or amending it after consulting with the licensee.

1.1.7 Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.

1.1.8 Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.

1.1.9 Any reference in these special conditions to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.
1.1.10 Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, as well as by action taken on or after, 1 April 2021.

1.1.11 Any monetary values in these special conditions are in sterling in a 2018/19 price base unless otherwise indicated.

1.1.12 The price base for each PCFM Variable Value is denoted in the GT2 Price Control Financial Model “Input” sheet. Where a PCFM Variable Value is listed as a "£m nominal" value, the GT2 Price Control Financial Model will convert these values in accordance with Part F of Special Condition 2.1 (Transportation owner revenue restriction), so that the component terms of Calculated Revenue and SO Calculated Revenue are in a 2018/19 price base.

**Part B: Definitions**

1.1.13 In these special conditions the following defined terms have the meanings given in the table below.

1.1.14 Where these special conditions state that the outputs, delivery dates and allowances for a Price Control Deliverable are located in another document, the following defined terms also have the meanings given in the table below in that document.

1.1.15 Where the table below states that a defined term has the meaning given to it by:

(a) another condition of this licence;
(b) the GT2 Price Control Financial Instruments;
(c) the RIGs;
(d) an Associated Document;
(e) the Uniform Network Code; or
(f) the Network Code

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

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>the Act</td>
<td>means the Gas Act 1986.</td>
</tr>
<tr>
<td>Actual NTS Throughput</td>
<td>means the total offtake of gas from the NTS on each day (in mcm) including gas offtakes by DN Operators, Storage Facilities, interconnectors and Very Large Daily Metered Consumers connected to the NTS, plus the physical elements of NTS Shrinkage.</td>
</tr>
<tr>
<td>Adjustment Neutrality Amount</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Advice Notice Day</td>
<td>means any Maintenance Plan Day in relation to which the licensee has formally notified the customer of a Maintenance activity to be carried out in alignment</td>
</tr>
</tbody>
</table>

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc's (NTS) Gas Transporter Licence – 24 July 2021
with that customer’s maintenance programme as agreed following bilateral discussions between the customer and the licensee.

**Affiliate**

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

**Aggregate Overrun**

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

**Allocation**

means any process by which Entry Capacity or Exit Capacity may be allotted by or on behalf of the licensee in accordance with the Network Code.

**Allowed Revenue**

is the amount the licensee should aim to recover through its NTS Transportation Owner Charges, derived in accordance with the formula in Part C of Special Condition 2.1 (Transportation owner revenue restriction).

**Annual Environmental Report**

means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.1 (Annual Environmental Report).

**Annual Iteration Process**

means in relation to the GT2 Price Control Financial Model, the process set out in Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model), which is to be read and given effect subject to any further applicable explanation or elaboration within the GT2 Price Control Financial Handbook.

**Annual Network Capability Assessment Report**

means a report prepared by the licensee in accordance with Part B of Special Condition 9.10 (Long term network planning).

**Appropriate Auditor**

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

** Appropriately Qualified Independent Examiner**

means a qualified tax accountant from a firm regulated by a relevant professional body, who may be an employee of the licensee’s Appropriate Auditors.

**Asset Data**

means the data on the condition, location, operating environment, function, duty, and other relevant characteristics of NARM Assets, which is necessary for the calculation of Monetised Risk.

**Asset Health Non-Lead Assets Baseline Allowances Table**

means the table of that name in the document identified in Appendix 1 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable) by its title and publication date.

**Asset Health Non-Lead Assets PCD Tables**

means the tables of that name in the document identified in Appendix 2 to Special Condition 3.15
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Intervention</td>
<td>means a deliberate action, on the part of the licensee, that improves or maintains the Monetised Risk of an asset or group of assets.</td>
</tr>
<tr>
<td>Asset Management Systems</td>
<td>means the set of interrelated and interacting elements, including those IT systems used for the collecting, storing and interrogating of Asset Data, that the licensee has in place to establish its asset management policy and asset management objectives and the processes needed to achieve those objectives.</td>
</tr>
<tr>
<td>Asset Risk</td>
<td>means the estimated average expected impact of a Network Asset with given characteristics (such as those referred to in the definition of Asset Data) failing over a given time period, so that when scaled up to a sufficiently large population of identical Network Assets, the sum of the individual Asset Risks will equate to the total expected impact of asset failure for the population over the same time period.</td>
</tr>
<tr>
<td>Associated Document</td>
<td>means a document issued and amended by the Authority by direction in accordance with the special conditions of this licence and any reference to an Associated Document is to that document as amended from time to time unless otherwise specified.</td>
</tr>
<tr>
<td>the Authority</td>
<td>has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).</td>
</tr>
<tr>
<td>Authority’s Website</td>
<td>means <a href="http://www.ofgem.gov.uk">www.ofgem.gov.uk</a></td>
</tr>
<tr>
<td>Bad Debt</td>
<td>means the expense incurred by the licensee when NTS Transportation Owner Charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded, and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.</td>
</tr>
<tr>
<td>Balancing Neutrality Charges</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Baseline Allowed NARM Expenditure</td>
<td>means the allowed expenditure associated with the Baseline Network Risk Outputs as set out in Appendix 1 to Special Condition 3.1 (Baseline Network Risk Output).</td>
</tr>
<tr>
<td>Baseline Network Risk Output</td>
<td>means the cumulative total, for a given risk sub-category, of Network Risk Outputs for all items allocated to “NARM Funding Category A1” in the licensee’s Network Asset Risk Workbook.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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</tr>
<tr>
<td>Basic Net Neutrality Amount</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Basic PCD Report</td>
<td>has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.</td>
</tr>
<tr>
<td>Between</td>
<td>in the context of something being done, or occurring, between two dates, means on or after the first date and on or before the second date.</td>
</tr>
<tr>
<td>Biodiversity Net Gain</td>
<td>means measurable net improvement to biodiversity for a defined area of land compared to the biodiversity before intervention by the licensee.</td>
</tr>
</tbody>
</table>
| Bulk Price Differential                   | means the volume of LPG conveyed to consumers who are connected to each relevant Independent System in the relevant Regulatory Year, multiplied by the difference between:
|                                           | (a) the reasonable estimate (made by the licensee) of the actual delivered price of LPG supplied to consumers connected to the relevant Independent System; and |
|                                           | (b) the average price of gas consisting principally of methane supplied to large industrial customers in Great Britain.                             |
| Business Plan                             | means a plan of the sort that the licensee was invited to submit by paragraph 2.25 of the document titled "RIIO-2 Sector Specific Methodology – Core document", published by the Authority on 24 May 2019. |
| CAF Outcomes                              | means the outcomes set out under the cyber security and resilience principles set out in the document titled “CAF Guidance”, version 3.0, published by the National Cyber Security Centre on 30 September 2019 as amended from time to time. |
| Calculated Revenue                        | has the value given to it in Part E of Special Condition 2.1 (Transportation owner revenue restriction).                                                |
| CAM Activity                              | means an output, activity or deliverable that the licensee is applying to reallocate under Special Condition 3.8 (Coordinated adjustment mechanism Re-opener). |
| Capacity Auctions                         | means auctions operated by the licensee at which users can secure capacity to access the NTS.                                                            |
| Carry-over Network Innovation Allowance   | means the allowance provided by Special Condition 5.3 (Carry-over Network Innovation Allowance) to extend the RIIO-1 Network Innovation Allowance for an additional Regulatory Year. |
CDSP Costs means costs incurred or expected to be incurred by the licensee for the purposes of meeting its obligations under Standard Special Condition A15 (Central Data Services Provider).

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

Compressor Cab means the enclosures, air circulation, exhaust and fire suppression systems necessary for the protection and safe functioning of the compressor fleet.

Constrained Storage Facilities has the meaning given to that term in the Network Code.

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

Consumer Prices Index Including Owner Occupiers' Housing Costs means the monthly values of the “CPIH All Items”, series ID “L522”, published by the Office for National Statistics (or any other public body acquiring its functions).

Cost And Output Adjusting Event means:
(a) an Extreme Weather Event;
(b) the imposition of additional terms or conditions by any statutory consent, approval or permission (including but not limited to planning consent);
(c) unforeseen ground or sea-bed conditions; and
(d) for the purposes of a particular output, any event that the Authority directs is a Cost And Output Adjusting Event in the FIOC Project Direction issued under Part D of Special Condition 3.13 (Funded incremental obligated capacity Re-opener).

Cost-Benefit Analysis means any analysis that considers, as appropriate, both the tangible costs (for example, the cost of replacement) and intangible costs (for example, costs associated with injury or loss of life) associated with, and benefits delivered by, an investment option or range of options.

COVID-19 Defaulting Gas Shipper means a Gas Shipper who participated in the COVID-19 Scheme and whose insolvency has resulted in the licensee incurring Bad Debt. The timing and meaning of insolvency is as per the Insolvency Act 1986.

COVID-19 Scheme means the COVID-19 Liquidity Relief Scheme for Shippers as established by the Uniform Network Code.
**COVID-19 System Operator Bad Debt** means SO Bad Debt owed to the licensee by one or more COVID-19 Defaulting Gas Shippers.

**COVID-19 Transportation Owner Bad Debt** means Bad Debt owed to the licensee by one or more COVID-19 Defaulting Gas Shippers.

**Critical National Infrastructure** means those critical elements of infrastructure (namely assets, facilities, systems, networks or processes and the essential workers that operate and facilitate them), the loss or compromise of which could result in:

(a) major detrimental impact on the availability, integrity or delivery of essential services – including those services whose integrity, if compromised, could result in significant loss of life or casualties – taking into account significant economic or social impacts; or

(b) significant impact on national security, national defence, or the functioning of the state.

**Current Monetised Risk** means the Monetised Risk of an existing asset or group of assets, based on the most recently gathered or derived Asset Data.

**Customer Impacting Work** means Maintenance Plan Days that would impact Maintenance Relevant Parties during the Regulatory Year, whether aligned to customers’ maintenance plans or not.

**CVS** is calorific value shrinkage and has the meaning given to that term in the Uniform Network Code.

**CVS Statement** means a statement produced by the licensee under Part J of Special Condition 5.6 (System operator external incentives, revenues and costs).

**Cyber Resilience IT Baseline Allowances Table** means the table of that name in the document identified in Appendix 1 to Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable) by its title and publication date.

**Cyber Resilience IT PCD Table** means the table of that name in the document identified in Appendix 2 to Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable) by its title and publication date.

**Cyber Resilience IT Plan** means a plan of the sort that the licensee was invited to submit at bullet point 1 of paragraph 6.99 of the document titled “RIIO-2 Sector Specific Methodology

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyber Resilience OT Baseline Allowances Table</td>
<td>means the table of that name in the document identified in Appendix 1 to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.</td>
</tr>
<tr>
<td>Cyber Resilience OT PCD Table</td>
<td>means the table of that name in the document identified in Appendix 2 to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.</td>
</tr>
<tr>
<td>Cyber Resilience OT Plan</td>
<td>means a plan of the sort that the licensee was invited to submit at bullet point 2 of paragraph 6.99 of the document titled “RIIO-2 Sector Specific Methodology – Core document”, published by the Authority on 24 May 2019.</td>
</tr>
<tr>
<td>Daily Metered Supply Meter Points</td>
<td>means a supply meter point which is read on a daily basis in accordance with paragraph 1.3.1 of section M (Supply Point Metering) or paragraphs 1.5.1(b) or 1.5.3 of section G (Supply Points) of the Network Code having effect on 1 April 2002.</td>
</tr>
<tr>
<td>Data Best Practice Guidance</td>
<td>means the guidance document issued by the Authority in accordance with Part D of Special Condition 9.5 (Digitalisation).</td>
</tr>
<tr>
<td>Day</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>De Minimis Business</td>
<td>has the meaning given to that term in Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing).</td>
</tr>
<tr>
<td>Decommission</td>
<td>means to Disconnect one or more assets or sites from all supplies of energy, removing all process fluids and de-pressurising. When a full site is in scope, all assets are removed from the site and the site is returned to its original or enhanced environmental state. For below ground assets on operational sites, decommission means to Disconnect assets from all supplies of energy and secure with a suitable fill material e.g. nitrogen.</td>
</tr>
<tr>
<td>Defaulting Gas Shippers</td>
<td>means a Gas Shipper, which has failed to make payments to the licensee in accordance with the Uniform Network Code.</td>
</tr>
<tr>
<td>Demand Side Response</td>
<td>means the provision of gas to the licensee by a contracting party in respect of a DMC Supply Point Component.</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Side Response Methodology</td>
<td>means a methodology maintained pursuant to and in accordance with the principles set out in part A of Special Condition 9.22 (Implementing and maintaining the Demand Side Response Methodology for use after a Gas Balancing Notification).</td>
</tr>
<tr>
<td>Demand Side Response Offer</td>
<td>means an offer to provide Demand Side Response.</td>
</tr>
<tr>
<td>Digitalisation</td>
<td>means using Energy System Data and digital technology to generate benefits for consumers and stakeholders.</td>
</tr>
<tr>
<td>Digitalisation Action Plan</td>
<td>means a document prepared and published by the licensee in accordance with Part B of Special Condition 9.5 (Digitalisation).</td>
</tr>
<tr>
<td>Digitalisation Strategy</td>
<td>means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.5 (Digitalisation).</td>
</tr>
<tr>
<td>Directly Attributable Costs</td>
<td>means costs relating to the maintenance and management of intellectual property, generated through Eligible NIC Projects (whether undertaken by the licensee or any other Gas Transporter Licensees) that have not been otherwise funded through NTS Transportation Owner Charges or NTS System Operation Charges or as services under Special Condition 11C (Services treated as Excluded Services) of this licence as in force on 31 March 2021 or the NIC Funding Mechanism.</td>
</tr>
<tr>
<td>Directly Remunerated Services</td>
<td>has the meaning given to that term in Part A of Special Condition 9.7 (Directly Remunerated Services).</td>
</tr>
<tr>
<td>Disallowed Expenditure</td>
<td>means revenue received (whether by the licensee or any other Gas Transporter Licensee) under the NIC Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.</td>
</tr>
<tr>
<td>Disapplication Date</td>
<td>means the date proposed by the licensee under a Disapplication Request on and after which the specified Relevant TO Special Conditions or Relevant SO Special Conditions (or any part or parts of them) would cease to have effect.</td>
</tr>
<tr>
<td>Disapplication Notice</td>
<td>means the notice under Special Condition 9.6 (Disapplication of Relevant Special Conditions) that terminates the application of the Relevant TO Special Conditions or Relevant SO Special Conditions (or any part or parts of them) specified in that request.</td>
</tr>
<tr>
<td>Disapplication Request</td>
<td>means a request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) to...</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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</tr>
<tr>
<td>Disconnect</td>
<td>has the meaning given to that term in the Act.</td>
</tr>
<tr>
<td>Distribution Network</td>
<td>has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).</td>
</tr>
<tr>
<td>DMC Supply Point Component</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>DN Operator</td>
<td>has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).</td>
</tr>
<tr>
<td>Domestic Credit Meter Installation</td>
<td>means a Domestic Sized Meter and associated equipment and installations (excluding housing) within the definition of a Supply Meter Installation as Supply Meter Installation is defined by paragraph 1.2.2(a) of section M (Supply Point Metering) of the Network Code and is not a Prepayment Meter Installation.</td>
</tr>
<tr>
<td>Domestic Sized Meter</td>
<td>means designated for a maximum rate of gas flow which does not exceed 6m3/hr.</td>
</tr>
<tr>
<td>DSAP Guidance</td>
<td>means the guidance document issued by the Authority in accordance with Part C of Special Condition 9.5 (Digitalisation).</td>
</tr>
<tr>
<td>Electric Compressor</td>
<td>means electrically powered gas compression equipment forming part of the pipeline system to which this licence relates that is used by the licensee to increase the pressure of gas in part of that pipeline system.</td>
</tr>
<tr>
<td>Eligible Balancing Action</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Eligible CNIA</td>
<td>means the amount of expenditure spent or accrued by the licensee in respect of Eligible CNIA Projects.</td>
</tr>
<tr>
<td>Eligible CNIA Internal Expenditure</td>
<td>means the amount of Eligible CNIA spent or accrued on the internal resources of the licensee.</td>
</tr>
<tr>
<td>Eligible CNIA Projects</td>
<td>means RIIO-1 Network Innovation Allowance projects on which work commenced prior to 31 March 2021, pursuant to the requirements of the RIIO-1 NIA Governance Document.</td>
</tr>
<tr>
<td>Eligible NIC Project</td>
<td>means a project undertaken by the licensee or any other Gas Transporter Licensee that appears to the Authority to satisfy such requirements of the NIC Governance Document as are necessary to enable the project to be funded under the NIC Funding Mechanism.</td>
</tr>
</tbody>
</table>

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Energy System Data</td>
<td>means facts and statistics collected together that describe the energy system (current, historic and forecast), including: the presence and state of infrastructure, its operation, associated market agreements and their operations, policy and regulation.</td>
</tr>
<tr>
<td>Entry and Exit Zones</td>
<td>means such zones as are specified in the licensee's Business Plan (subject to any revisions proposed by the licensee and approved by the Authority in writing).</td>
</tr>
<tr>
<td>Entry Capacity</td>
<td>means capacity in the NTS which a Relevant Shipper is treated as utilising in delivering gas to the NTS (and the total system) at an NTS Entry Point.</td>
</tr>
<tr>
<td>Entry Capacity Constraint Management</td>
<td>means Constraint Management undertaken by the licensee in respect of Entry Capacity in the NTS.</td>
</tr>
<tr>
<td>Entry Capacity Substitution</td>
<td>is the process by which unsold Non-Incremental Obligated Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Incremental Obligated Entry Capacity at another NTS Entry Point in accordance with the obligations set out in Special Condition 9.17 (Entry and Exit Capacity obligations and methodology statements).</td>
</tr>
<tr>
<td>Entry Capacity Trade</td>
<td>means the process by which sold Firm Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Firm Entry Capacity at another NTS Entry Point, in accordance with the obligations set out in Special Condition 9.17 (Entry and Exit Capacity obligations and methodology statements).</td>
</tr>
<tr>
<td>Entry Close-out Date</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Environmental Action Plan</td>
<td>means the document of that name that the licensee submitted as part of its Business Plan.</td>
</tr>
<tr>
<td>Environmental Action Plan Commitments</td>
<td>means the actions and initiatives that the licensee proposed in their Environmental Action Plan to undertake over the course of the Price Control Period.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>------</td>
<td>------------</td>
</tr>
<tr>
<td>Environmental Net Gain</td>
<td>means achieving Biodiversity Net Gain first and going further to achieve net increases in the capacity of affected natural capital to deliver ecosystem services.</td>
</tr>
<tr>
<td>Environmental Reporting Guidance</td>
<td>means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.1 (Annual Environmental Report).</td>
</tr>
<tr>
<td>Environmental Value</td>
<td>means a measure of the level of biodiversity and the monetary value of the ecosystem services from the natural capital assets associated with a particular land area.</td>
</tr>
<tr>
<td>Equally Challenging</td>
<td>means presenting equal or higher challenge to the licensee compared to the Baseline Network Risk Outputs, where challenge relates to the scope for a licensee to over-deliver by carrying out the same volume of interventions but selecting different assets for intervention from those assumed in the setting of the Baseline Network Risk Outputs.</td>
</tr>
<tr>
<td>Evaluative PCD</td>
<td>means a Price Control Deliverable where the relevant licence condition states that the Authority will consider making an adjustment to allowances where an output has not been Fully Delivered.</td>
</tr>
<tr>
<td>Ex-Ante Base Revenue</td>
<td>has the value of £729m for each Regulatory Year.</td>
</tr>
<tr>
<td>Exit Capacity</td>
<td>means capacity in the NTS which a Relevant Shipper or DN Operator is treated as utilising in off-taking gas from the NTS at an NTS Exit Point.</td>
</tr>
<tr>
<td>Exit Capacity Constraint Management</td>
<td>means Constraint Management undertaken by the licensee in respect of Exit Capacity in the NTS.</td>
</tr>
<tr>
<td>Exit Capacity Revision</td>
<td>means the process by which the level of Licence Baseline Exit Capacity is modified in accordance with the obligations set out in Special Condition 9.17 (Entry and Exit Capacity obligations and methodology statements), which takes place as a result of the release of Funded Incremental Obligated Entry Capacity.</td>
</tr>
<tr>
<td>Exit Capacity Substitution</td>
<td>means the process by which unsold Non-Incremental Obligated Exit Capacity is moved from one or more NTS Exit Points to meet the demand for Incremental Obligated Exit Capacity at another NTS Exit Point in accordance with the obligations set out in Special Condition 9.17 (Entry and Exit Capacity obligations and methodology statements).</td>
</tr>
<tr>
<td>Extreme Weather Event</td>
<td>means a weather event with worse than one in ten years probability.</td>
</tr>
<tr>
<td>Failure To Interrupt</td>
<td>has the meaning given to that term in the Network Code.</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Final Option Selection Report</td>
<td>means a report for a specific site produced by the licensee setting out the options selection process and proposed Final Preferred Option signed off as meeting the requirements of gas network development process stage 4.2 as set out further in the Re-opener Guidance and Application Requirements Document Associated Documents.</td>
</tr>
<tr>
<td>Final Preferred Option</td>
<td>means the option selected by the licensee for a specific site following updated flow forecast and cost benefit analysis, agreed upon by both the licensee and the Authority.</td>
</tr>
<tr>
<td>FIOC Guidance and Submissions Requirements Document</td>
<td>means the document of that name issued by the Authority in accordance with Part G of Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable).</td>
</tr>
<tr>
<td>FIOC Project Direction</td>
<td>means a direction by the Authority, following a submission from the licensee in accordance with Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable) justifying its costs for releasing Funded Incremental Obligated Entry Capacity or Funded Incremental Obligated Exit Capacity, and specifying an output, delivery date and allowance.</td>
</tr>
<tr>
<td>Firm Entry Capacity</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Firm Exit Capacity</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Forecast Monetised Risk</td>
<td>means the Monetised Risk of an asset or group of assets expected to be in operation on a network in a given future scenario, based on the forecast view of Asset Data for the given scenario.</td>
</tr>
<tr>
<td>Forecast Total System Demand</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Front End Engineering Design</td>
<td>means a fully detailed engineering design for the site in question, including the layout and installation plan and a tendered quote, which meets the requirements to pass gas network development process stage 4.3 sign-off as set out further in the Re-opener Guidance and Application Requirements Document.</td>
</tr>
<tr>
<td>Full PCD Report</td>
<td>has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.</td>
</tr>
<tr>
<td>Fully Delivered</td>
<td>means where the output specified in the relevant licence condition has been delivered in full on or before the delivery date specified in that licence condition.</td>
</tr>
</tbody>
</table>

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
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<tr>
<td>Funded Incremental Obligated Entry Capacity</td>
<td>is Incremental Obligated Entry Capacity, the release of which has been funded under Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable).</td>
</tr>
<tr>
<td>Funded Incremental Obligated Exit Capacity</td>
<td>is Incremental Obligated Exit Capacity, the release of which has been funded under Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable).</td>
</tr>
<tr>
<td>Funding Return</td>
<td>is the total amount, in respect of the licensee, of any amounts arising under the Funding Return Mechanism.</td>
</tr>
<tr>
<td>Funding Return Mechanism</td>
<td>means the mechanism that provides for the recovery from the licensee and from other Gas Transporter Licensees, in each case to such extent (if any) as may be relevant, of:</td>
</tr>
<tr>
<td></td>
<td>(a) Halted Project Revenues;</td>
</tr>
<tr>
<td></td>
<td>(b) Disallowed Expenditure;</td>
</tr>
<tr>
<td></td>
<td>(c) Returned Royalty Income; and</td>
</tr>
<tr>
<td></td>
<td>(d) Returned Project Revenues.</td>
</tr>
<tr>
<td>Gas Balancing Notification</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Gas Deficit Emergency</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Gas Shipper</td>
<td>has the meaning given to that term in section 7A(11) of the Act.</td>
</tr>
<tr>
<td>Gas Transporter Licensee</td>
<td>means the holder of a licence granted under section 7 of the Act.</td>
</tr>
<tr>
<td>Gas Volumes Methodology</td>
<td>means a methodology provided under part K of Special Condition 5.6 (System operator external incentives, revenues and costs).</td>
</tr>
<tr>
<td>GHG Independent Examiner</td>
<td>means a person nominated by and independent of the licensee with the skills and knowledge of accepted greenhouse gas accounting and audit principles so as to be qualified to undertake an examination of the Greenhouse Gas Emissions Calculation Methodology for calculating the mass of Natural Gas Vented and verification of the application of this methodology.</td>
</tr>
<tr>
<td>Great Britain</td>
<td>means the landmass of England, Wales and Scotland, including internal waters.</td>
</tr>
<tr>
<td>Greenhouse Gas Emissions Calculation Methodology</td>
<td>is the methodology required under part E of Special Condition 5.6 (System operator external incentives, revenues and costs).</td>
</tr>
</tbody>
</table>

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
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</thead>
<tbody>
<tr>
<td>GT Asset Health Plan</td>
<td>means the document of that name prepared by the licensee and submitted to the Authority in December 2019.</td>
</tr>
<tr>
<td>GT1 Price Control Financial Model</td>
<td>has the meaning given to that term in Special Condition 1A (Definitions and Interpretation) of this licence as in force on 31 March 2021.</td>
</tr>
<tr>
<td>GT2 Price Control Financial Handbook</td>
<td>means the document of that name that was first published by the Authority to come into effect on 1 April 2021 and includes specific information and advice about the operation of the Annual Iteration Process and the GT2 Price Control Financial Model, as modified from time to time in accordance with the provisions of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments).</td>
</tr>
<tr>
<td>GT2 Price Control Financial Model</td>
<td>means the model of that name (with a suffix referring to the month of November in Regulatory Year t-1) that was first published by the Authority to come into effect on 1 April 2021: (a) that is represented by a workbook in Microsoft Excel® format maintained under that name (with a Regulatory Year suffix) on the Authority’s Website; and (b) that the Authority will use to determine the value of the term ARt through the application of the Annual Iteration Process as modified from time to time in accordance with the provisions of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments).</td>
</tr>
<tr>
<td>GT2 Price Control Financial Model Working Group</td>
<td>means the working group identified in and whose terms of reference are set out in Chapter 2 of the GT2 Price Control Financial Handbook.</td>
</tr>
<tr>
<td>Halted Project Revenues</td>
<td>means revenues received (whether by the licensee or any other Gas Transporter Licensee) under the NIC Funding Mechanism in respect of an Eligible NIC Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.</td>
</tr>
<tr>
<td>ILI Report</td>
<td>is a report undertaken by the licensee detailing the length of time taken by the licensee to complete both Short ILIs and Long ILIs and comparing this against...</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Improvement Plan</td>
<td>means a plan of the sort that the licensee was invited to submit at bullet point 2 on page 7 of the document titled “Ofgem Competent Authority Guidance for Downstream Gas and Electricity in Great Britain”, published by the Authority on 30 November 2018.</td>
</tr>
<tr>
<td>In Line Inspection</td>
<td>means the internal inspection of pipelines through the use of pipeline inspection gauges.</td>
</tr>
<tr>
<td>Incremental Entry Capacity</td>
<td>means Firm Entry Capacity other than Non-Incremental Obligated Entry Capacity.</td>
</tr>
<tr>
<td>Incremental Entry Capacity Services</td>
<td>means the undertaking of engagements relating to the provision of Entry Capacity other than Non-Incremental Obligated Entry Capacity.</td>
</tr>
<tr>
<td>Incremental Exit Capacity</td>
<td>means Firm Exit Capacity other than Non-Incremental Obligated Exit Capacity.</td>
</tr>
<tr>
<td>Incremental Exit Capacity Services</td>
<td>means the undertaking of engagements relating to the provision of Exit Capacity other than Non-Incremental Obligated Exit Capacity.</td>
</tr>
<tr>
<td>Incremental Obligated Entry Capacity</td>
<td>means the volume of Firm Entry Capacity which the licensee is required to offer for sale at an NTS Entry Point that is above the level of Non-Incremental Obligated Entry Capacity, and is derived in accordance with the methodology statements which the licensee must have in place under Special Condition 9.18 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes).</td>
</tr>
<tr>
<td>Incremental Obligated Exit Capacity</td>
<td>means the volume of Firm Exit Capacity which the licensee is required to offer for sale at an NTS Exit Point that is above the level of Non-Incremental Obligated Exit Capacity, and is derived in accordance with the methodology statements which the licensee must have in place under Special Condition 9.18 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes).</td>
</tr>
<tr>
<td>Independent Examiner</td>
<td>means a person nominated by and independent of the licensee with the skills and knowledge to undertake an examination.</td>
</tr>
</tbody>
</table>
| Independent System                                 | has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation), except that for the purposes of Special Condition 6.2 (Gas conveyed to Independent Systems) only, it means independent systems (as defined in Standard Special Condition A3) through which the gas...
conveyed to consumers consists wholly or mainly of LNG or LPG.

**Interruptible Entry Capacity**

means Entry Capacity that may be subject to curtailment by the licensee under the provisions relating to interruption in the Uniform Network Code.

**IP Completion Day**

has the meaning given to that term in Standard Condition 1 (Definitions and Interpretation).

**IT**

means a licensee’s information technology for business systems that relate to the use of computers, software, hardware and other systems and devices to perform business operations.

**LDZ**

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

**Licence Baseline Entry Capacity**

means the volume of Entry Capacity as set out in Appendix 1 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) and any Funded Incremental Obligated Entry Capacity from five years after the contractual delivery date of that capacity.

**Licence Baseline Exit Capacity**

means the volume of Exit Capacity as set out in Appendix 2 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) and any Funded Incremental Obligated Exit Capacity from five years after the contractual delivery date of that capacity.

**Licensed Activity**

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

**Licensee’s Offices**

means the licensee’s offices located in Derby, Eakring, London, Solihull, Warrington, Warwick and Wokingham. Where the sites are shared with multiple parties, the metrics achieved at the overall site will be attributed in proportion with the capex allocation (as notified by the licensee to the Authority) for each entity residing at the site.

**LNG**

means liquefied natural gas.

**Local Area Energy Plan**

means a plan that is the product of a process:

(a) through which a range of stakeholders including Network Licensees and local authorities agree on the optimal long-term energy solutions for an area; and

(b) that has been conducted in the context of enabling energy systems with net zero carbon emissions.
<table>
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</thead>
<tbody>
<tr>
<td>Locational Action</td>
<td>means any action taken by the licensee where the action was taken in respect of a specific location and would therefore be coded with a locational reason code on the On-the-day Commodity Market, and where locational buys will be treated as a cost to the licensee and locational sells will be treated as a revenue.</td>
</tr>
<tr>
<td>Locational Sell Actions</td>
<td>means a Locational Action treated as a revenue for the licensee.</td>
</tr>
<tr>
<td>Long ILI</td>
<td>is work necessary to undertake an In Line Inspection of a section of the pipeline system to which this licence relates where the length of pipeline concerned is more than 10km and requiring one or more Maintenance Plan Days.</td>
</tr>
<tr>
<td>Long Term Development Statement</td>
<td>means a statement prepared by the licensee in accordance with Part A of Special Condition 9.10 (Long term network planning).</td>
</tr>
<tr>
<td>Long-term Monetised Risk</td>
<td>means the Monetised Risk measured over a defined period of time greater than one year from a given start date and equal to the cumulative Single-year Monetised Risk values over the defined period.</td>
</tr>
<tr>
<td>LPG</td>
<td>means a mix of hydrocarbon gases including propane and butane in accordance with the engineering standard titled “British Standard European Norm 589:2018 Automotive Fuels. LPG. Requirements and test methods”.</td>
</tr>
<tr>
<td>Maintenance</td>
<td>includes: (a) maintenance, inspection, repair, replacement, reinstatement and recommissioning of the pipeline system to which this licence relates or any part or parts of it; (b) works for the expansion, reinforcement or extension of the pipeline system to which this licence relates, including works in relation to existing parts of that pipeline system (including any part of the system which is out of service, whether on a temporary or permanent basis) to enable such works to be carried out; and (c) any inspection, testing and commissioning of works within paragraphs (a) and (b), and works preparatory thereto, and any works required for bringing any new or existing part of the pipeline system to which this licence relates into, or back into, service.</td>
</tr>
</tbody>
</table>
Maintenance Change Day means any Maintenance Plan Day, where the licensee has initiated a change compared to the Maintenance Plan, unless:

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

ii. in the case of where the customer has cancelled an Advice Notice Day, the licensee deemed it reasonably necessary to initiate another Maintenance Plan Day for the same Maintenance activity;

iii. in the case of an Advice Notice Day, the licensee has requested the change to align its Maintenance activities with a customer and the change continues to align with the same customer Maintenance programme or another Maintenance programme agreed with the customer; or

iv. in the case of an Advice Notice Day, the Advice Notice Day includes more than one Maintenance activity and the licensee has requested the change to move some of the Maintenance activity to another Maintenance programme agreed with the customer.

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

(a) a change in date, including a change to the number of days that one or more Maintenance Relevant Parties are affected by a Maintenance Plan Day; and

(b) a cancellation of a Maintenance Plan Day.

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

Maintenance Plan means the year ahead plan that is made up of the notifications of Maintenance Plan Days that the licensee sends to Maintenance Relevant Parties on or before 1 April for the Regulatory Year in respect of the Maintenance Plan Days.

Maintenance Plan Day means any planned Maintenance Day included within the Maintenance Plan or any planned Maintenance Day subsequently added to the Maintenance Plan after 1 April in the relevant Regulatory Year that is related to one or more of the following Maintenance activities (for the avoidance of doubt (a) where a single Maintenance activity affects multiple Maintenance Relevant Parties on a day, this will be
construed as a single Maintenance Plan Day; and (b) this includes Advice Notice Days:
(a) routine maintenance (e.g. routine Valve Operations);
(b) planned asset replacement and reinforcements, including but not limited to boiler replacements, work to facilitate the replacement of Compressors to enable compliance with emissions related legislation and incremental capacity requirements; and
(c) in-line inspections, where these activities affect one or more Maintenance Relevant Parties and where this party is an NTS Supply Point or an NTS Connected System Exit Point. For the avoidance of doubt, this does not include activities that cannot reasonably be planned in advance of the draft Maintenance Plan in respect of Regulatory Year t including work following a network gas supply emergency or force majeure, work following a fault or defect, pipeline feature inspections or any activities carried out on behalf of one or more third parties.

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

Maintenance Workload is the sum in Days of the licensee's overall Maintenance work and is equal to the number of Maintenance Plan Days in Regulatory Year t.

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

Materiality Threshold has the value £10.7m.

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

Minor Works Agreement means the services offered by the licensee which enable Maintenance Relevant Parties to pay the incremental costs of the licensee working flexibly outside normal working practices where possible in respect of Maintenance.

Monetised Risk means an estimation of Asset Risk as derived in accordance with the NARM Methodology as well as the similarly derived estimated risks associated with aggregated asset groupings, and disaggregated sub-components, as relevant.

Monetised Risk Benefit means the risk benefit delivered or expected to be delivered by an asset intervention, which:
<table>
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</thead>
<tbody>
<tr>
<td>Monetised Risk</td>
<td>(a) is the difference between without intervention and with intervention; (b) can be measured over one year or a longer period; and (c) includes both direct and indirect Monetised Risk Benefits.</td>
</tr>
<tr>
<td>NARM Asset</td>
<td>means an asset specified within the NARM Methodology where its associated Monetised Risk can be estimated by applying the NARM Methodology.</td>
</tr>
<tr>
<td>NARM Asset Category</td>
<td>means a group of assets with similar functions and design as specified in the NARM Methodology.</td>
</tr>
<tr>
<td>NARM Handbook</td>
<td>means the document of that name issued by the Authority in accordance with Part C of Special Condition 3.1 (Baseline Network Risk Outputs).</td>
</tr>
<tr>
<td>NARM Methodology</td>
<td>means the methodology established pursuant to Special Condition 9.2 (Network Asset Risk Metric methodology).</td>
</tr>
<tr>
<td>NARM Objectives</td>
<td>means the objectives set out in Part B of Special Condition 9.2 (Network Asset Risk Metric methodology).</td>
</tr>
<tr>
<td>National Forecast Flow Data Item or Report</td>
<td>means an hourly data item or report published by the licensee showing, for each day, aggregate forecast flows of gas into the NTS based on delivery flow nominations.</td>
</tr>
<tr>
<td>National Physical Flow Data Item or Report</td>
<td>means an hourly data item or report published by the licensee showing, for each day, aggregate forecast flows of gas into the NTS based on actual (aggregate) physical flows into the NTS.</td>
</tr>
<tr>
<td>Natural Gas Vented</td>
<td>means the release of natural gas from a Compressor as a result of: (a) starting a Compressor; (b) purging a Compressor; or (c) depressurising a Compressor; or (d) the leakage of gas through a seal around the shaft of a Compressor.</td>
</tr>
<tr>
<td>Net Margins WACOG</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Net Zero Advisory Group</td>
<td>means a group set up by the Authority with the objective to strengthen strategic coordination among key government departments and public sector organisations involved in the energy system</td>
</tr>
</tbody>
</table>
transition, including around the heat, power, and transport sectors.

**Net Zero And Re-opener Development Fund** means a use-it-or-lose-it allowance provided by Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance).

**Net Zero and Re-opener Development Fund Governance Document** means the document of that name issued by the Authority in accordance with Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance).

**Net Zero Carbon Targets** means the targets set out in:
(a) section 1 of the Climate Change Act 2008;
(b) section A1 of the Climate Change (Scotland) Act 2009; and
(c) section 29 of the Environment (Wales) Act 2016.

**Net Zero Development** means a change in circumstances related to the achievement of the Net Zero Carbon Targets that is:
(a) a change in national government policy (including policies of the devolved national parliaments);
(b) a change in local government policy;
(c) the successful trial of new technologies or other technological advances;
(d) a change in the pace or nature of the uptake of low carbon technologies; or
(e) a new obligation arising from the agreement of a Local Area Energy Plan or an equivalent arrangement.

**Net Zero Innovation Board** means the board established by the government to ensure a co-ordinated approach to innovation funding across public sector bodies in the United Kingdom.

**Net Zero Pre-construction Work** means:
(a) surveys, assessments and studies;
(b) project design;
(c) engineering development;
(d) stakeholder engagement and consultation;
(e) tasks associated with wayleaves;
(f) planning applications; and
(g) any other relevant necessary activities to progress to final investment decision.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network Asset</td>
<td>means the assets that collectively form the pipeline system to which this licence relates, and includes the principal components of those assets.</td>
</tr>
<tr>
<td>Network Asset Risk Metric</td>
<td>means the Monetised Risk associated with a NARM Asset or the Monetised Risk Benefit associated with a NARM Asset Intervention.</td>
</tr>
<tr>
<td>Network Asset Risk Workbook</td>
<td>means the workbook containing the licensee's Baseline Network Risk Outputs issued by the Authority in accordance with Part B of Special Condition 3.1 (Baseline Network Risk Outputs).</td>
</tr>
<tr>
<td>Network Code</td>
<td>has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).</td>
</tr>
<tr>
<td>Network Licensee</td>
<td>means the holder of a licence granted under section 7 of the Act or section 6(1)(b) or (c) of the Electricity Act 1989.</td>
</tr>
<tr>
<td>Network Model</td>
<td>means a computer simulation used to predict the behaviour of the NTS under different supply and demand scenarios.</td>
</tr>
<tr>
<td>Network Risk Output</td>
<td>means the risk benefit delivered or expected to be delivered by an Asset Intervention and is calculated as the difference between Monetised Risk values associated with the &quot;without intervention scenario&quot; and the &quot;with intervention scenario&quot;, measured over a period equal to the assumed intervention lifetime from the end of the Price Control Period, which can vary for asset category or specific assets and intervention types.</td>
</tr>
<tr>
<td>NIA</td>
<td>means the network innovation allowance provided by Special Condition 5.2 (RIIO-2 network innovation allowance).</td>
</tr>
<tr>
<td>NIC</td>
<td>means the arrangements known as the network innovation competition established by Special Condition 2F (The Network Innovation Competition) of this licence as in force on 31 March 2021.</td>
</tr>
<tr>
<td>NIC Funding</td>
<td>means the total amount of funding authorised by the Authority for the Licensee and other Gas Transporter Licensees, in accordance with the provisions of the NIC Governance Document, for the purpose of funding Eligible NIC Projects.</td>
</tr>
<tr>
<td>NIC Funding Mechanism</td>
<td>means the mechanism by which the licensee recovers the amount of authorised NIC Funding and apportions that amount between the licensee and other Gas Transporter Licensees as appropriate in accordance with the NIC Governance Document.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>NIC Governance Document</td>
<td>means the document of that name maintained by the Authority in accordance with Special Condition 7.7 (RIIO-GT1 network innovation competition).</td>
</tr>
<tr>
<td>NOMs Incentive Methodology</td>
<td>means the document entitled “Network Output Measures (NOMs) Incentive Methodology” published by the Authority on 6 December 2018.</td>
</tr>
<tr>
<td>NOMs Methodology</td>
<td>means the methodology approved under Special Condition 7D (Methodology for Network Output Measures) of this licence as in force on 31 March 2021.</td>
</tr>
<tr>
<td>Non-Incremental Obligated Entry Capacity</td>
<td>is the Licence Baseline Entry Capacity adjusted for Entry Capacity Substitution.</td>
</tr>
<tr>
<td>Non-Incremental Obligated Exit Capacity</td>
<td>is the Licence Baseline Exit Capacity adjusted for Exit Capacity Substitution.</td>
</tr>
<tr>
<td>Non-intervention Risk Changes</td>
<td>means the factors set out in the NARM Handbook (as amended in accordance with Part B of Special Condition 3.1 (Baseline Network Risk Outputs)) that are unrelated to the licensee’s Asset Interventions and impact the licensee’s Outturn Network Risk Outputs.</td>
</tr>
<tr>
<td>Non-Obligated Entry Capacity</td>
<td>means Firm Entry Capacity other than Obligated Entry Capacity.</td>
</tr>
<tr>
<td>Non-Obligated Exit Capacity</td>
<td>means Firm Exit Capacity other than Obligated Exit Capacity.</td>
</tr>
<tr>
<td>Non-operational IT Capex</td>
<td>has the meaning given to that term in the RIGs.</td>
</tr>
<tr>
<td>NTS</td>
<td>has the meaning given to that term in the Network Code.</td>
</tr>
<tr>
<td>NTS Connected System Exit Point</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>NTS Entry Point</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>NTS Exit Point</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>NTS Linepack</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>NTS Shrinkage</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>NTS Supply Point</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>NTS System Entry Point</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>NTS System Operation Activity</td>
<td>means engagements undertaken by the licensee pursuant to the operation of the NTS, being the</td>
</tr>
</tbody>
</table>

Note: Consolidated conditions are not formal Public Register documents and should not be relied on. Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
procuring and using of balancing services for the purpose of balancing the NTS and the arranging with the NTS Transportation Owner Activity for the delivery of Incremental Entry Capacity and Incremental Exit Capacity, including:
(a) Incremental Entry Capacity Services;
(b) Incremental Exit Capacity Services;
(c) residual gas balancing services;
(d) balancing management;
(e) Constraint Management services; and
(f) the provision of services in relation to gas quality.

**NTS System Operation Charges** means charges made or levied, or to be made or levied, by the licensee for the provision of services as part of its NTS System Operation Activity, to any person for the purpose of recovering its SO Allowed Revenue.

**NTS System Operator** means the licensee when carrying out an NTS System Operation Activity.

**NTS Throughput Data Item or Report** means a data item or report published by the licensee showing, amongst other data, the forecast level of Actual NTS Throughput.

**NTS Transportation Owner Activity** means the activities of the licensee connected with the development, administration and maintenance of the NTS and with the Supply of NTS Services.

**NTS Transportation Owner Charges** means charges made or levied, or to be made or levied, by the licensee for the provision of services as part of its NTS Transportation Owner Activity, to any person, for the purpose of recovering its Allowed Revenue.

**Obligated Entry Capacity** is the sum of Non-Incremental Obligated Entry Capacity and Funded Incremental Obligated Entry Capacity (which will become Non-Incremental Obligated Entry Capacity five years after the contractual delivery date of that capacity).

**Obligated Exit Capacity** is the sum of Non-Incremental Obligated Exit Capacity and Funded Incremental Obligated Exit Capacity (which will become Non-Incremental Obligated Exit Capacity five years after the contractual delivery date of that capacity).

**Off-Peak Exit Capacity** has the meaning given to the term “off-peak daily NTS exit (flat) capacity” in the Uniform Network Code, unless at an NTS Exit Point described in Appendix 2 to Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) as an
interconnector, where it shall have the meaning given to the term “interruptible NTS interconnection point capacity” in the Uniform Network Code.

OM Interested Party means any party which may be affected by the procurement of Operating Margins by the licensee, including those parties which may be able to provide Operating Margins to the licensee.

On-the-day Commodity Market means the on-the-day commodity market in which Relevant Shippers and the licensee can buy and sell gas.

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

Operating Margins Report means a report produced and published by the licensee under part H of Special Condition 5.6 (System operator external incentives, revenues and costs).

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

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

Operational Data includes, unless otherwise directed by the Authority:
(a) the National Forecast Flow Data Item or Report;
(b) the National Physical Flow Data Item or Report;
(c) the NTS Throughput Data Item or Report; and
(d) the Predicted Closing Linepack Data Item or Report.

Operational Performance Operational Performance is a measure of returns which includes totex and ODI performance but excludes performance on debt, tax, and the BPI (business plan incentive). It also excludes the baseline allowed return on equity.

OT means a licensee’s operational technology and information systems that monitor and control physical devices and processes of operations which relate to gas.

Outturn Network Risk Output means the Monetised Risk Benefit delivered during the Price Control Period through the licensee’s Asset Interventions and derived so as to give a fair and accurate reflection of the licensee’s delivery when compared against Baseline Network Risk Outputs as part of the Authority’s assessment of the licensee’s overall delivery of its Baseline Network Risk Outputs.

PARCA means any:

i. “PARCA” as that expression is defined in the Uniform Network Code; and

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
ii. agreement between the licensee and a PARCA Applicant relating to the reservation and allocation of Entry Capacity or Exit Capacity under “European Interconnection Document, Section E” of the Uniform Network Code.

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

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

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

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

Partner Licensee means a Network Licensee that has agreed to accept or transfer responsibility for a CAM Activity.

PCD Reporting Requirements and Methodology Document means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.3 (Price Control Deliverable Reporting Requirements and Methodology Document).

PCFM Guidance means the guidance document issued by the Authority in accordance with Part E of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model).

PCFM Variable Values means the values in the table of that name in the GT2 Price Control Financial Handbook.

Pension Scheme Established Deficit means the difference between assets and liabilities, determined at any point in time, attributable to pensionable service up to the end of the 31 March 2012 and relating to the Transportation Business under the Authority's Price Control Pension Principles. The term applies equally if there is a subsequent surplus.

Permitted Administration Fee means the amount the licensee is permitted to raise and retain for administering the mechanism.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1 PARCA Works Reports</td>
<td>has the meaning given to that term in the Network Code.</td>
</tr>
<tr>
<td>Physical Renomination Incentive Charges</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Physical Security Baseline Allowances Table</td>
<td>means the table of that name in the document identified in Appendix 1 to Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable) by its title and publication date.</td>
</tr>
<tr>
<td>Physical Security PCD Table</td>
<td>means the table of that name in the document identified in Appendix 2 to Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable) by its title and publication date.</td>
</tr>
<tr>
<td>Physical Security Upgrade Programme</td>
<td>means physical security investment at Critical National Infrastructure sites as mandated by government.</td>
</tr>
<tr>
<td>Pipeline Diversion Costs</td>
<td>means costs incurred, or expected to be incurred, by the licensee in relation to extant liabilities or other obligations to divert existing pipelines which: (a) arise as a result of existing obligations or liabilities taken on by the Gas Council or British Gas plc. for which the licensee is now responsible; and (b) the licensee can demonstrate it has done everything in its powers to recover from the relevant party requesting the pipeline diversion.</td>
</tr>
<tr>
<td>Pipethrough</td>
<td>means the process of the removal of mainline valve and any bypass arrangement and associated assets replacing with a section of line pipe.</td>
</tr>
<tr>
<td>Plant And Equipment</td>
<td>means the pipework at compressor stations and above ground installations, coated as a means of primary protection and protected by cathodic protection as a secondary means where it is below ground as well as the equipment associated with maintaining gas quality and pressure.</td>
</tr>
<tr>
<td>Policing Costs</td>
<td>means the costs of complying with any requirement arising under sections 85 to 90 of the Counter-Terrorism Act 2008 in respect of the provision of policing services in or around a gas facility.</td>
</tr>
<tr>
<td>Predicted Closing Linepack Data Item or Report</td>
<td>means a hourly data item or report published by the licensee showing, for each Day, the opening NTS Linepack, two projected closing NTS Linepack figures, and Forecast Total System Demand.</td>
</tr>
</tbody>
</table>

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Prepayment Meter Installation means a Domestic Sized Meter and associated equipment and installations (excluding housing) comprised in a Supply Meter Installation as Supply Meter Installation is defined by paragraph 1.2.2(a) of section M (Supply Point Metering) of the Network Code through which gas, which is charged for as it is used, is supplied.

Prescribed Rates means:
(a) business rates in England and Wales; and
(b) non-domestic rates in Scotland or any equivalent tax or duty replacing those rates that is levied on the licensee in respect of its Licensed Activity.

Price Control Deliverable means the outputs, delivery dates and associated allowances in Special Conditions 3.2 to 3.4, 3.10 to 3.13, 3.15 and 3.16.

Price Control Pension Principles means the principles set out in the Authority’s guidance note on price control pension principles issued as Appendix 3 to the decision letter, “Decision on the Authority’s policy for funding Pension Scheme Established Deficits” dated 7 April 2017.

Price Control Period means the period of five Regulatory Years commencing on 1 April 2021.

Procurement Guidelines Document means a statement of that name maintained and revised in accordance with Part B of Special Condition 9.19 (System Management Services).

Project Direction means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.

PSUP Solution means the site physical security upgrade specified by the government.

Qualifying Project means a network development project that affects the local environment that has either:
(a) passed through and been granted external planning approval; or
(b) passed through the licensee’s internal decision making stage “network development process gate 4”.

Quarry and Loss Development Claim Costs means the costs reasonably incurred, or expected to be incurred, by the licensee in relation to settling any claims from landowners whose land contains network assets, which relate to:

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
(a) loss of land development;
(b) sterilised minerals;
(c) landfill and tipping;
(d) power generation;
(e) drainage; or
(f) loss of crop
where the licensee can demonstrate that it has used reasonable endeavours to challenge both the basis of the claim and the quantum of the compensation sought.

RAV means regulatory asset value.

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

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

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

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

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

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

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

Relevant Network Model Data means all the data necessary for the Network Model to satisfy the first two requirements in Part B of Special Condition 9.12 (Licensee’s Network Model).

Relevant Point means a point of the licensee’s pipeline system on which the licensee will make information on technical, contracted and available capacities on a numerical basis public, on a regular and rolling basis.
in a user-friendly and standardised manner, as required by Article 18.3, EC Regulation 715/2009, as it has effect immediately before IP Completion Day as read with any modifications set out in the Act.

**Relevant Quarter Year**

means a quarter in a Regulatory Year, where a quarter is a continuous period of three calendar months and where q=1 is the period Between 1 April and 30 June, q=2 is the period Between 1 July and 30 September, q=3 is the period Between 1 October and 31 December and q=4 is the period Between 1 January and 31 March (each inclusive).

**Relevant Shipper**

has the meaning given to the term in Standard Special Condition A3, except that, for the purposes of Special Condition 6.2 (Gas conveyed to Independent Systems) only, means a Gas Shipper that has made arrangements with the DN Operator that operates the LDZ in which that Independent System is situated under which LNG or LPG is to be transported to consumers at the premises.

**Relevant SO Special Conditions**

means Special Condition 2.3 (System operator revenue restriction), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 2.3 to which a Disapplication Request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) relates.

**Relevant Supplier**

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

**Relevant System Management Services**

means System Management Services other than:
(a) those that the licensee has acquired through an Eligible Balancing Action (if that trade was not made pursuant to any prior agreement); and
(b) those that the Authority directs the licensee not to treat as Relevant System Management Services.

**Relevant TO Special Conditions**

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

**Relevant Valuation Agency**

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

*Note: Consolidated conditions are not formal Public Register documents and should not be relied on.*
*Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021*
<table>
<thead>
<tr>
<th><strong>Re-opener</strong></th>
<th>means the mechanisms created by:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a) Special Conditions 3.5 to 3.9, 3.11, 3.13, 3.14 and 3.17; and</td>
</tr>
<tr>
<td></td>
<td>(b) Parts C, D and E of Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment), Parts C, D and E of Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable), Parts C and D of Special Condition 3.4 (Security Re-opener and Price Control Deliverable), Part D of Special Condition 3.10 (Bacton terminal site redevelopment Re-opener and Price Control Deliverable), Part D of Special Condition 3.11 (Compressor emissions Re-opener and Price Control Deliverable), and Part C of Special Condition 3.12 (King’s Lynn subsidence Re-opener and Price Control Deliverable).</td>
</tr>
</tbody>
</table>

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

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

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

<p>| <strong>Returned Royalty Income</strong> | means revenue earned from intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other Gas Transporter Licensee) less Directly Attributable Costs, that is payable to customers under the NIC. |</p>
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding Mechanism</td>
<td>Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.</td>
</tr>
<tr>
<td>RIGs</td>
<td>means the document published by the Authority in accordance with Standard Special Condition A40 (Regulatory Instructions and Guidance).</td>
</tr>
<tr>
<td>RIIO-1 Justified Material Over-delivery</td>
<td>means the delivery of a higher level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that higher level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.</td>
</tr>
<tr>
<td>RIIO-1 Justified Material Under-delivery</td>
<td>means the delivery of a lower level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that lower level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.</td>
</tr>
<tr>
<td>RIIO-1 Materially Equivalent Output</td>
<td>means an equivalent level of risk to a RIIO-1 Network Output.</td>
</tr>
<tr>
<td>RIIO-1 Network Innovation Allowance</td>
<td>means the arrangements established by Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021.</td>
</tr>
<tr>
<td>RIIO-1 Network Output</td>
<td>means the network replacement outputs as set out in Table 1 of Special Condition 7E (Specification of Network Replacement Outputs) of this licence as in effect on 31 March 2021.</td>
</tr>
<tr>
<td>RIIO-1 NIA Governance Document</td>
<td>means the document issued by the Authority in accordance with Part E of Special Condition 2E (The Network Innovation Allowance) as in force on 31 March 2021.</td>
</tr>
<tr>
<td>RIIO-1 NOMs Principles</td>
<td>means the principles set out in Chapter 2 of the document titled “Network Output Measures (NOMs) Incentive Methodology” published by the Authority on 6 December 2018.</td>
</tr>
<tr>
<td>RIIO-2 NIA Governance Document</td>
<td>means the document issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-2 network innovation allowance).</td>
</tr>
<tr>
<td>RIIO-2 NIA Projects</td>
<td>means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-2 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of Special Condition 5.2 (RIIO-2 network innovation allowance).</td>
</tr>
<tr>
<td>RIIO-GT1</td>
<td>means the price control that applied to the licensee for the period of eight Regulatory Years beginning on 1 April 2013.</td>
</tr>
<tr>
<td>RIIO-GT1 Bad Debt</td>
<td>means the Bad Debt incurred during RIIO-GT1.</td>
</tr>
</tbody>
</table>

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
<table>
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<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>RIIO-GT1 SO Bad Debt</td>
<td>means the SO Bad Debt incurred during RIIO-GT1.</td>
</tr>
<tr>
<td>RPEs</td>
<td>has the meaning given to the term “Real Price Effects” in Appendix 1 to the GT2 Price Control Financial Handbook.</td>
</tr>
<tr>
<td>Senior Accounting Officer</td>
<td>has the meaning given to that term in Schedule 46 to the Finance Act 2009, as amended from time to time.</td>
</tr>
<tr>
<td>Short ILI</td>
<td>means work necessary to undertake an In Line Inspection of a section of the pipeline system to which this licence relates where the length of pipeline concerned is 10km or less requires one or more Maintenance Plan Days.</td>
</tr>
<tr>
<td>Short-Cycle Storage Facility</td>
<td>means a Storage Facility which regularly utilises its capability both to withdraw and inject gas into the facility on the same Day.</td>
</tr>
<tr>
<td>Shortfall Direction</td>
<td>means:</td>
</tr>
<tr>
<td></td>
<td>(a) in relation to energy administration, a direction issued by the Secretary of State for the purpose of meeting any “relevant debt”, within the meaning of section 169(4) of the Energy Act 2004;</td>
</tr>
<tr>
<td></td>
<td>(b) in relation to energy supply company administration, a direction issued by the Secretary of State for the purpose of meeting any &quot;relevant debt&quot; within the meaning of section 99(4) of the Energy Act 2011; or</td>
</tr>
<tr>
<td></td>
<td>(c) in relation to smart meter communication licensee administration, a direction issued by the Secretary of State for the purpose of meeting any &quot;relevant debt&quot; within the meaning of section 7(4) of the Smart Meters Act 2018 (including any modifications to such a direction made by any subsequent Shortfall Direction and any Shortfall Direction replacing a previous Shortfall Direction).</td>
</tr>
<tr>
<td>Shortfall Payment Recipients</td>
<td>means the persons to whom a payment is to be made under paragraph 9.15.4 of Special Condition 9.15 (NTS shortfall contribution obligations).</td>
</tr>
<tr>
<td>Shoulder Months</td>
<td>means the months of October, November, February and March.</td>
</tr>
<tr>
<td>Shrinkage Procurement Report</td>
<td>means a report produced by the licensee pursuant to part K of Special Condition 5.6 (System operator external incentives, revenues and costs).</td>
</tr>
<tr>
<td>Single-year Monetised Risk</td>
<td>means the Monetised Risk measured over a given one-year time period.</td>
</tr>
</tbody>
</table>

Note: Consolidated conditions are not formal Public Register documents and should not be relied on. Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Net Zero Projects</td>
<td>means a project that would be within the scope of the Re-opener provided by Special Condition 3.6 (Net zero Re-opener) but for failing to meet the Materiality Threshold.</td>
</tr>
<tr>
<td>SO Actual Corporation Tax Liability</td>
<td>means the proportion of the value as shown in the licensee’s company tax return (CT600) as submitted to Her Majesty’s Revenue and Customs, relating to the licensee’s NTS System Operation Activities.</td>
</tr>
<tr>
<td>SO Allowed Revenue</td>
<td>is the amount the licensee should aim to recover through its NTS System Operation Charges, derived in accordance with the formula in Part C of Special Condition 2.3 (System operator revenue restriction).</td>
</tr>
<tr>
<td>SO Bad Debt</td>
<td>means the expense incurred by the licensee when NTS System Operation Charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded, and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.</td>
</tr>
<tr>
<td>SO Calculated Revenue</td>
<td>has the value given to it in Part E of Special Condition 2.3 (System operator revenue restriction).</td>
</tr>
<tr>
<td>SO Calculated Tax Allowance</td>
<td>means the value of the SOTAXA term as set out in the “Revenue” sheet of the GT2 Price Control Financial Model relating to the licensee’s NTS System Operation Activities.</td>
</tr>
<tr>
<td>SO Recovered Revenue</td>
<td>has the value derived in accordance with Part B of Special Condition 2.3 (System operator revenue restriction).</td>
</tr>
<tr>
<td>SONIA</td>
<td>means the daily values of the sterling overnight index average, series ID “IUDSOIA”, published by the Bank of England (or any other public body acquiring its functions).</td>
</tr>
<tr>
<td>Storage Capacity Notice</td>
<td>means a monthly storage capacity statement provided by a Storage Facility operator to the licensee from time to time, detailing on the first day of each month m of year y: (a) the physical capacity of the Short-Cycle Storage Facility under the operation of the relevant Storage Facility operator; (b) the capacity of the Short-Cycle Storage Facility allocated to system users (excluding Operating Margins);</td>
</tr>
</tbody>
</table>

Note: Consolidated conditions are not formal Public Register documents and should not be relied on. Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
(c) the quantity of un-booked capacity at the Short-Cycle Storage Facility;
(d) the projected available capacity for the period up until the subsequent submitted Storage Capacity Notice, including the projected total physical deliverability and injectability for the period; and
(e) any details of non/reduced availability for the period up until the subsequent submitted Storage Capacity Notice.

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

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

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

Supply Meter Installation has the meaning given to that term in the Network Code.

Supply Of NTS Services means the undertaking and performance for gain and reward of engagements:
(a) in connection with the conveyance of gas through the NTS other than engagements in connection with activities within the definition of the NTS System Operation Activity;
(b) for the prevention of the escape of gas, which has been taken off the NTS, other than to the Distribution Network or any pipeline system operated by a person holding a gas transporter’s licence or who is exempted from holding such a licence which but for such pipeline not being operated by the licensee, would fall within the definition of the Distribution Network; and
(c) for the provision of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity.

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

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

System Entry Overrun Charges has the meaning given to that term in the Uniform Network Code.

System Management Principles Statement means a statement of that name established in accordance with Part C and revised in accordance with Part D of Special Condition 9.19 (System Management Services).
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>System Management Services</td>
<td>means services in relation to the balancing of gas inputs to and gas offtakes from the NTS and includes Eligible Balancing Actions and Eligible Balancing Action derivatives and Constraint Management services.</td>
</tr>
<tr>
<td>System Management Services Adjustment Methodology</td>
<td>means a methodology of that name established in accordance with Part E and revised in accordance with Part F of Special Condition 9.19 (System Management Services).</td>
</tr>
<tr>
<td>System Marginal Buy Price</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>System Marginal Sell Price</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Tariff Capped Metering Activities</td>
<td>means those activities provided by the licensee listed in paragraph 3 of Special Condition 9.16 (Restriction of prices in respect of Tariff Capped Metering Activities).</td>
</tr>
<tr>
<td>Tax Reconciliation</td>
<td>means the reconciliation between: (a) the licensee’s TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability; and (b) the licensee’s SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability as reported to the Authority as part of the GT2 Price Control Financial Model.</td>
</tr>
<tr>
<td>Tax Strategy</td>
<td>has the meaning given to that term in Schedule 19 to the Finance Act 2016, as amended from time to time.</td>
</tr>
<tr>
<td>Time Value of Money Adjustment</td>
<td>has the meaning given to that term in the glossary of the GT2 Price Control Financial Handbook.</td>
</tr>
<tr>
<td>TO Actual Corporation Tax Liability</td>
<td>means the proportion of the value as shown in the licensee’s company tax return (CT600) as submitted to Her Majesty’s Revenue and Customs, relating to the licensee’s NTS Transportation Owner Activities.</td>
</tr>
<tr>
<td>TO Calculated Tax Allowance</td>
<td>means the value of the TAX; term as set out the “Revenue” sheet of the GT2 Price Control Financial Model in relation to NTS Transportation Owner Activity.</td>
</tr>
<tr>
<td>TO Recovered Revenue</td>
<td>has the value derived in accordance with Part B of Special Condition 2.1 (Transportation owner revenue restriction).</td>
</tr>
<tr>
<td>Total NIA Expenditure</td>
<td>means expenditure that satisfies the requirements of the RIIO-2 NIA Governance Document and is partly recovered by the licensee under Special Condition 5.2 (RIIO-2 network innovation allowance).</td>
</tr>
</tbody>
</table>

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Totex Allowance</td>
<td>means the allowance used for the Totex Incentive Mechanism and is the sum of values under the heading “Totex allowance” in the “Input” sheet of the GT2 Price Control Financial Model.</td>
</tr>
<tr>
<td>Totex Incentive Mechanism</td>
<td>means the mechanism within the GT2 Price Control Financial Model which provides for the licensee to bear a specified share of any overspend, or retain a specified share of any underspend, represented in either case by a difference between: (a) the licensee’s Totex Allowance; and (b) the licensee’s actual totex expenditure.</td>
</tr>
<tr>
<td>Totex Incentive Strength</td>
<td>has the value of 39%.</td>
</tr>
<tr>
<td>Transmission Planning Code</td>
<td>means the document maintained by the licensee in accordance with Special Condition 9.11 (Transmission Planning Code).</td>
</tr>
<tr>
<td>Transportation Arrangements</td>
<td>has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).</td>
</tr>
<tr>
<td>Transportation Business</td>
<td>has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).</td>
</tr>
<tr>
<td>Transportation Constraints</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Transportation System</td>
<td>has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).</td>
</tr>
<tr>
<td>UAG</td>
<td>is unaccounted for gas and means the amount of gas (GWh) that remains unaccounted for after the Entry Close-out Date following the assessment of NTS Shrinkage performed in accordance with the Uniform Network Code.</td>
</tr>
<tr>
<td>UAG Projects</td>
<td>means the projects currently undertaken by the licensee including: (a) the witnessing by the licensee of the validation of Measurement Equipment at NTS System Entry Points or Supply Meter Installations at NTS Exit Points; and (b) investigation and analysis of data in order to seek to identify causes of UAG.</td>
</tr>
<tr>
<td>UAGCVS Report</td>
<td>means a report required under Part J of Special Condition 5.6 (System operator external incentives, revenues and costs).</td>
</tr>
<tr>
<td>UK Link Gemini</td>
<td>has the meaning given to that term in the Uniform Network Code.</td>
</tr>
<tr>
<td>Uncertain Costs</td>
<td>means: (a) Quarry and Loss Development Claim Costs; and</td>
</tr>
</tbody>
</table>
(b) Pipeline Diversion Costs.

Uniform Network Code

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

Use It Or Lose It Adjustment

means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to:

(a) improving cyber resilience in relation to OT, including risk reduction or improved status of the licensee’s network and information systems with respect to CAF Outcomes, in relation to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment); or

(b) developing projects in preparation for Re-openers in relation to Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance)

which will not exceed the allowance provided.

User

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

Valve Operations

means the work necessary to undertake an inspection of valves on the pipeline system to which this licence relates or any part or parts of it.

Very Large Daily Metered Consumers

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

WACC

means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the GT2 Price Control Financial Handbook.

Zero Licence Baseline Entry Capacity Point

means a NTS Entry Point, which is not contained within Appendix 1 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) at which there is zero Licence Baseline Entry Capacity allocated and which, as a result, does not give rise to any funding allowance.

Zero Licence Baseline Exit Capacity Point

means a NTS Exit Point, which is not contained within Appendix 2 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) at which there is zero Licence Baseline Exit Capacity allocated and which, as a result, does not give rise to any baseline funding allowance.
Special Condition 1.2 Variations to the standard special conditions for the purposes of this licence

Introduction

1.2.1 The purpose of this licence condition is to vary the standard special conditions in their application for the purposes of this licence.

Part A: Modifications

1.2.2 For the purposes of this licence the following standard special conditions are to be read in accordance with the following table:

<table>
<thead>
<tr>
<th>Standard Special Condition</th>
<th>Provision</th>
<th>Modification</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3 (Definitions and Interpretation)</td>
<td>Sub-paragraph (c)(i) of the definition of “supply of transportation services”</td>
<td>Substitute &quot;)(c)(i) facilitating balancing management; and&quot;.</td>
</tr>
<tr>
<td>Standard Special Condition A4 (Charging – General)</td>
<td>Paragraph 1(a)</td>
<td>After the words “specified descriptions of gas shippers” insert the words “and/or DN operators as appropriate”.</td>
</tr>
</tbody>
</table>
| Standard Special Condition A4 (Charging – General) | Paragraph 2 | For the words “NOT USED” substitute the following at sub-paragraphs (a) and (b): 
"(a) use its reasonable endeavours:

i. not to make any changes to the charges or reserve prices mentioned in paragraph 1 more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may direct; and

ii. not to make any changes to charges or reserve prices in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) more frequently than once in each formula year and for such changes to take place on 1 October in each formula year or at such other time as the Authority may direct;

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

i. stating the reasons for this change; and

ii. clearly identifying whether any of the information provided as part of the statement of reasons for the change is of a confidential nature”.

Standard Special Condition A5 Paragraph 2A(b)
(Regard Charging Methodology)

For the words “NOT USED” substitute:
“(b) use its reasonable endeavours:

i. not to make any changes to the charging methodology more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may direct; and

ii. only to make changes to the charging methodology in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) on 1 October in each formula year or at such other time as the Authority may direct.”
Chapter 2: Revenue restriction

Special Condition 2.1 Transportation owner revenue restriction (AR_t)

Introduction

2.1.1 The purpose of this condition is to ensure that NTS Transportation Owner Charges are set to aim to recover no more than Allowed Revenue.

2.1.2 This condition also provides for the calculation of the term AR_t (the Allowed Revenue term) and RR_t (the Recovered Revenue term).

Part A: Licensee's obligation when setting NTS Transportation Owner Charges

2.1.3 The licensee must, when setting NTS Transportation Owner Charges, use its best endeavours to ensure that TO Recovered Revenue does not exceed Allowed Revenue.

Part B: Formula for calculating the TO Recovered Revenue term (RR_t)

2.1.4 The value of RR_t is derived in accordance with the following formula:

\[ RR_t = TOEntC_t + TOExC_t + TORCOM_t \]

where:

- \( TOEntC_t \) means the amount of revenue in respect of NTS Transportation Owner Activity that results from the sale of the following types of Entry Capacity:
  - (a) Non-Incremental Obligated Entry Capacity (ahead of the gas Day); and
  - (b) Funded Incremental Obligated Entry Capacity (ahead of the gas Day);

- \( TOExC_t \) means the amount of revenue in respect of NTS Transportation Owner Activity that results from the sale of the following types of Exit Capacity:
  - (a) Non-Incremental Obligated Exit Capacity (ahead of the gas Day); and
  - (b) Funded Incremental Obligated Exit Capacity (ahead of the gas Day);

- \( TORCOM_t \) means the amount of revenue in respect of NTS Transportation Owner Activity that results from:
  - (a) charges levied by the licensee on Gas Shippers and DN Operators pursuant to Standard Special Condition A4 (Charging – General); and
  - (b) payments made by the licensee to Gas Shippers and DN Operators.
other than revenue earned by the licensee through TOREntC_t and TORExC_t.

Part C: Formula for calculating the Allowed Revenue term (AR_t)

2.1.5 The value of AR_t is derived in accordance with the following formula:

\[ AR_t = ADJR_t^* + K_t + LAR_t \]

where:

- \( ADJR_t^* \) means adjusted revenue most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the start of Regulatory Year t;
- \( K_t \) means the K correction term and is derived in accordance with Part H; and
- \( LAR_t \) is derived in accordance with Special Condition 7.1 (Transportation owner legacy adjustments).

Part D: Formula for calculating Adjusted Revenue (ADJR_t)

2.1.6 The value of ADJR_t is derived in accordance with the following formula

\[ ADJR_t = R_t \frac{P_{19}}{P_{18/19}} + ADJ_t \]

where:

- \( R_t \) means the Calculated Revenue term (R_t) calculated in accordance with Paragraph 2.1.7 of this condition;
- \( P_{19} \) means the price index derived in accordance with Part F; and
- \( ADJ_t \) means the AIP adjustment term and is derived in accordance with Part G.

Part E: Formula for calculating the Calculated Revenue term (R_t)

2.1.7 The value of R_t is derived in accordance with the following formula:

\[ R_t = FM_t + PT_t + DPN_t + RTN_t + RTNA_t + EIC_t + DRS_t + BPI_t + ODI_t + ORA_t + TAX_t + TAXA_t \]

where:

- \( FM_t \) means fast money and has the value set out in the “Revenue” sheet of the GT2 Price Control Financial Model;
- \( PT_t \) is derived in accordance with Special Condition 6.1 (Transportation owner pass-through items);
- \( DPN_t \) means depreciation and has the value set out in the “Revenue” sheet of the GT2 Price Control Financial Model;
Part F: Formula for calculating the price index term ($PI_t$)

2.1.8 The value of $PI_t$ is the arithmetic average value of each of the twelve monthly values of $PI_m$ from 1 April to 31 March within Regulatory Year $t$, derived in accordance with the following formula:

$$
PI_m = \begin{cases} 
RPI_m, & \text{if } m < April 2021 \\
0.5 \frac{CPIH_m}{CPIH_{m-1}} + 0.5 \frac{RPI_m}{RPI_{m-1}}, & \text{if } m = April 2021 \\
PI_{m-1} \cdot \frac{CPIH_m}{CPIH_{m-1}}, & \text{if } m > April 2021 
\end{cases}
$$

where:

- $m$ refers to a year and month;
- $RPI_m$ means the Retail Prices Index for the year and month $m$; and
- $CPIH_m$ means the Consumer Prices Index Including Owner Occupiers’ Housing Costs for the year and month $m$.

Part G: Transportation owner AIP adjustment term ($ADJ_t$)

2.1.9 For the Regulatory Year commencing on 1 April 2021, the value of $ADJ$ is zero.

2.1.10 For subsequent Regulatory Years, the value of $ADJ_t$ is derived in accordance with the following formula:

$$
ADJ_t = (ADJR_{t-1} - ADJR_{t-1}^*) (1 + TVM_{t-1})
$$

where:

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
**ADJR**\(_t\) is derived in accordance with Part D;

**ADJR**\(_t\) means adjusted revenue most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the start of Regulatory Year \(t\); and

**TVM**\(_t\) means the time value of money term derived in accordance with paragraph 2.1.11.

### 2.1.11 The value of TVM\(_t\) is derived in accordance with the following formula:

\[
TVM_t = \left(1 + WACC_t\right) \frac{P_{I_t+1}}{P_{I_t}} - 1
\]

where:

- **WACC**\(_t\) means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the GT2 Price Control Financial Handbook;
- **PI**\(_t\) means the price index derived in accordance with Part F.

### Part H: Transportation owner correction term (K\(_t\))

**2.1.12** For the Regulatory Year commencing on 1 April 2020, the value of K is zero.

**2.1.13** For subsequent Regulatory Years, the value of K\(_t\) is derived in accordance with the following formula:

\[
K_t = (AR_{t-1} - RR_{t-1})(1 + I_{t-1} + 1.15\% + PRP_{t-1} \times PRA_{t-1})
\]

where:

- **AR**\(_t\) for Regulatory Years starting on or after 1 April 2021 is derived in accordance with Part C. For the Regulatory Year starting on 1 April 2020 AR\(_t\) has the value of MR\(_t\) derived in accordance with Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021;
- **RR**\(_t\) means TO Recovered Revenue derived in accordance with Part B;
- **I**\(_t\) means the average value of SONIA;
- **PRP**\(_t\) means the penal rate proportion and has the value of 1, unless the Authority has directed a value between 0 and 1 in accordance with paragraph 2.1.15; and
- **PRA**\(_t\) means the penal rate adjustment, derived in accordance with paragraph 2.1.14.

**2.1.14** The value of PRA\(_t\) is derived in accordance with the following formula:

\[
PRA_t = \begin{cases} 
1.15\% & \text{if } RR_t/AR_t \geq 1.06 \\
-1.15\% & \text{if } RR_t/AR_t \leq 0.94 \\
0, & \text{otherwise}
\end{cases}
\]
where:
\[ RR_t \] is derived in accordance with Part B; and\[ AR_t \] is derived in accordance with Part C.

2.1.15 The Authority may direct a value for \( PRP_t \) which is not less than zero and not more than 1 if it is satisfied that the difference between \( TO \) Recovered Revenue and Allowed Revenue is for reasons outside the reasonable control of the licensee.

**Special Condition 2.2 Transportation owner tax allowance adjustment (TAXA_t)**

**Introduction**

2.2.1 The purpose of this condition is to calculate any adjustment to the term \( TAXA_t \) (the tax allowance adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

2.2.2 The effect is to adjust Calculated Revenue, if required following a review of material, unexplained differences between the licensee’s \( TO \) Calculated Tax Allowance and its \( TO \) Actual Corporation Tax Liability, in accordance with Chapter 6 of the GT2 Price Control Financial Handbook.

2.2.3 This condition also explains the process the Authority will follow when directing any change as a result of the review.

**Part A: Undertaking a tax review**

2.2.4 The Authority may undertake a tax review of any material, unexplained differences between the licensee’s \( TO \) Calculated Tax Allowance and its \( TO \) Actual Corporation Tax Liability in accordance with Chapter 6 of the GT2 Price Control Financial Handbook.

2.2.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and gives the reasons for that decision, the licensee must:

(a) procure an Appropriately Qualified Independent Examiner to examine the differences between the licensee’s \( TO \) Calculated Tax Allowance and its \( TO \) Actual Corporation Tax Liability and send a report to the Authority;

(b) carry out any reasonable steps specified by the Authority for such a procurement and comply with any requirements reasonably specified by the Authority as to the terms of appointment of the Appropriately Qualified Independent Examiner;

(c) ensure that the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, reasonably specified by the Authority after discussing with the examiner; and
(d) send to the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority, following discussion with the examiner.

2.2.6 Following receipt of the Appropriately Qualified Independent Examiner’s report, the Authority will:

(a) direct any adjustment to the value of the TAXA$_t$ term that it considers should be made taking account of the report; and

(b) specify the Regulatory Years to which that adjustment relates.

Part B: What process will the Authority follow in making a direction?

2.2.7 Before making a direction under paragraph 2.2.6, the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;

(b) the reasons for the proposed direction; and

(c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

Special Condition 2.3 System operator revenue restriction (SOAR$_t$)

Introduction

2.3.1 The purpose of this condition is to ensure that NTS System Operation Charges are set to aim to recover no more than SO Allowed Revenue.

2.3.2 This condition also provides for the calculation of the term SORR$_t$ (the SO Recovered Revenue term) and SOAR$_t$ (the SO Allowed Revenue term).

Part A: Licensee’s obligation

2.3.3 The licensee must, when setting NTS System Operation Charges use its best endeavours to ensure that SO Recovered Revenue does not exceed SO Allowed Revenue.

Part B: Formula for calculating the SO Recovered Revenue term (SORR$_t$)

2.3.4 The value of SORR$_t$ is derived in accordance with the following formula:

\[ SORR_t = SOREntC_t + SORExC_t + RCOM_t + SOROC_t \]

where:

\( SOREntC_t \) means the amount of revenue in respect of NTS System Operation Activity that results from the sale of the following types of Entry Capacity:

(a) Interruptible Entry Capacity;

(b) Non-Obligated Entry Capacity; and

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
(c) all on the Day sales of Non-Incremental Obligated Entry Capacity and Funded Incremental Obligated Entry Capacity;

\( SORExC_t \) means the amount of revenue in respect of NTS System Operation Activity that results from the sale of the following types of Exit Capacity:

(a) Off-Peak Exit Capacity;
(b) Non-Obligated Exit Capacity; and
(c) all on the Day sales of Non-Incremental Obligated Exit Capacity and Funded Incremental Obligated Exit Capacity;

\( RCOM_t \) means the amount of revenue in respect of NTS System Operation Activity that results from charges levied by the licensee on Gas Shippers and DN Operators pursuant to Standard Special Condition A4 (Charging – General) in respect of NTS System Operation Activity. This will include revenue from charges to recover costs incurred by the licensee and net payments made to or by the licensee in respect of reducing the costs arising from NTS System Operation Activity other than revenue earned by the licensee through:

(a) \( SOREntC_t \);
(b) \( SORExC_t \);
(c) \( SOROC_t \); and
(d) revenues received by the licensee from the sale of gas purchased by the licensee in respect of its use of Constrained Storage Facilities in order to avoid Transportation Constraints; and

\( SOROC_t \) means the amount of revenue derived by the licensee through associated NTS System Operation Charges and is derived in accordance with the following formula:

\[
SOROC_t = RNC_t + RCOR_t + FTI_t + RLOC_t + RADD_t
\]

where:

\( RNC_t \) means net revenue derived by the licensee from Balancing Neutrality Charges;

\( RCOR_t \) means the revenue derived by the licensee from System Entry Overrun Charges;

\( FTI_t \) means the revenue derived by the licensee from charges levied on Gas Shippers and DN Operators in respect of any Failure To Interrupt;

\( RLOC_t \) means the revenue derived by the licensee from Locational Sell Actions and Physical Renomination Incentive Charges; and

\( RADD_t \) has the meaning given in paragraph 5.5.5 of Special Condition 5.5 (Entry Capacity and Exit Capacity Constraint Management).

**Part C: Formula for calculating the SO Allowed Revenue term (SOAR\(_t\))**

2.3.5 The value of SOAR\(_t\) is derived in accordance with the following formula:

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

Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
\[ \text{SOAR}_t = \text{SOADJR}_t^* + \text{SOK}_t + \text{SOLAR}_t \]

where:

- \( \text{SOADJR}_t^* \) means adjusted revenue most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the start of Regulatory Year \( t \);
- \( \text{SOK}_t \) means the SO K correction term and is derived in accordance with Part G; and
- \( \text{SOLAR}_t \) is derived in accordance with Special Condition 7.10 (System operator legacy adjustments).

**Part D: Formula for calculating the SO Adjusted Revenue term (SOADJR\(_t\))**

2.3.6 The value of SOADJR\(_t\) is derived in accordance with the following formula

\[ \text{SOADJR}_t = \text{SOR}_t \frac{\text{PI}_t}{\text{PI}_{2018/19}} + \text{SOADJ}_t \]

where:

- \( \text{SOR}_t \) means the SO Calculated Revenue term (SOR\(_t\)) calculated in accordance with paragraph 2.3.7 of this condition;
- \( \text{PI}_t \) means the price index term derived in accordance with Part F of Special Condition 2.1; and
- \( \text{SOADJ}_t \) means the SO AIP adjustment term and is derived in accordance with Part F.

**Part E: Formula for calculating the SO Calculated Revenue term (SOR\(_t\))**

2.3.7 The value of SOR\(_t\) is derived in accordance with the following formula:

\[ \text{SOR}_t = \text{SOFM}_t + \text{SOPT}_t + \text{SODPN}_t + \text{SORTN}_t + \text{SOORA}_t + \text{SOTAX}_t + \text{SOTAXA}_t \]

where:

- \( \text{SOFM}_t \) means fast money and has the value set out in the “System Operator” sheet of the GT2 Price Control Financial Model;
- \( \text{SOPT}_t \) is derived in accordance with Special Condition 6.3 (System operator pass-through items);
- \( \text{SODPN}_t \) means depreciation and has the value set out in the “System Operator” sheet of the GT2 Price Control Financial Model;
- \( \text{SORTN}_t \) means return and has the value set out in the “System Operator” sheet of the GT2 Price Control Financial Model;
- \( \text{SOORA}_t \) is derived in accordance with Special Condition 5.4 (SO other revenue allowance);
- \( \text{SOTAX}_t \) has the value set out in the “System Operator” sheet of the GT2 Price Control Financial Model; and

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence
– 24 July 2021

SOTAXA_t means the SO tax allowance adjustment term and has the value zero unless the Authority directs otherwise under Special Condition 2.4 (System operator tax allowance adjustment).

Part F: SO AIP adjustment term (SOADJ_t)

2.3.8 For the Regulatory Year commencing on 1 April 2021, the value of SOADJ is zero.

2.3.9 For subsequent Regulatory Years, the value of SOADJ_t is derived in accordance with the following formula:

\[ SOADJ_t = (SOADJR_{t-1} - SOADJR_{t-1}^*) (1 + TVM_{t-1}) \]

where:

SOADJR_t

is derived in accordance with Part D;

SOADJR_{t-1}^*

means adjusted revenue most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the start of Regulatory Year t; and

TVM_t

is derived in accordance with paragraph 2.1.11 of Special Condition 2.1 (Transportation owner revenue restriction).

Part G: SO correction term (SOK_t)

2.3.10 For the Regulatory Year commencing on 1 April 2020, the value of SOK is zero.

2.3.11 For subsequent Regulatory Years, the value of SOK_t is derived in accordance with the following formula:

\[ SOK_t = (SOAR_{t-1} - SORR_{t-1})(1 + I_{t-1} + 1.15\% + SOPRP_{t-1} \times SOPRA_{t-1}) \]

where:

SOAR_t

for Regulatory Years commencing on or after 1 April 2021 AR_t is derived in accordance with Part C. For the Regulatory Year commencing on 1 April 2020 AR_t has the value of SOMR_t derived in accordance with Part C of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021;

SORR_t

means SO Recovered Revenue derived in accordance with Part B;

I_t

means the average value of SONIA;

SOPRP_t

means the penal rate proportion and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.3.13; and

SOPRA_t

means the SO penal rate adjustment, derived in accordance with paragraph 2.3.12.

2.3.12 The value of SOPRA_t is derived in accordance with the following formula:
Special Condition 2.4 System operator tax allowance adjustment (SOTAXA_t)

Introduction

2.4.1 The purpose of this condition is to calculate any adjustment to the term SOTAXA_t (the SO tax allowance adjustment term), which feeds into SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).

2.4.2 The effect is to adjust SO Calculated Revenue, if required, following a review of material, unexplained differences between the licensee’s SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability, in accordance with Chapter 6 of the GT2 Price Control Financial Handbook.

2.4.3 It also explains the process the Authority will follow when directing any change as a result of the review.

Part A: Undertaking a tax review

2.4.4 The Authority may undertake a tax review of any material, unexplained differences between the licensee’s SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability, in accordance with Chapter 6 of the GT2 Price Control Financial Handbook.

2.4.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and given the reasons for that decision, the licensee must:

(a) procure an Appropriately Qualified Independent Examiner to examine the differences between the licensee’s SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability and submit a report to the Authority;

(b) carry out any reasonable steps specified by the Authority for such a procurement and comply with any requirements reasonably specified by the Authority as to the terms of appointment of the Appropriately Qualified Independent Examiner;
(c) ensure that the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, reasonably specified by the Authority after discussing with the examiner; and

(d) send to the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority, following discussion with the examiner.

2.4.6 Following receipt of the Appropriately Qualified Independent Examiner's report, the Authority will:

(a) direct any adjustment to the value of the SOTAXA\textsubscript{t} term that it considers should be made taking account of said report; and

(b) specify the Regulatory Years to which that adjustment relates.

**Part B: What process will the Authority follow in making a direction?**

2.4.7 Before making a direction under paragraph 2.4.6, the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;

(b) the reasons for the proposed direction; and

(c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

**Special Condition 2.5 Return Adjustment (RTNA\textsubscript{t})**

**Introduction**

2.5.1 The purpose of this condition is to calculate the term RTNA\textsubscript{t} (the return adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

2.5.2 The effect of this condition is to adjust the TO Calculated Revenue following a review of Operational Performance after the Price Control Period.

2.5.3 It also explains the process the Authority will follow when directing any change as a result of the review.

**Part A: Undertaking a review of Operational Performance**

2.5.4 After the Price Control Period, the Authority will undertake a review of Operational Performance.

2.5.5 Following its review, the Authority will direct any adjustment to the value of the term RTNA\textsubscript{t} in accordance with the method set out in Parts B and C and any further applicable explanation or elaboration within the GT2 Price Control Financial Handbook.

**Part B: Formulae for calculating the return adjustment term (RTNA\textsubscript{t})**

2.5.6 The value of RTNA\textsubscript{t} is derived in accordance with the following formula:

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
\[ RTNA_t = RTNR \times \frac{RAVL_t \times (1 - G)}{\sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G)} \]

where:

- \( RTNR \) means the return adjustment for the licensee over the Price Control Period, derived in accordance with paragraphs 2.5.7 and 2.5.8;
- \( RAVL_t \) means the RAV value for the licensee and has the value derived in accordance with the GT2 Price Control Financial Model; and
- \( G \) means notional gearing, and has the value of 60%.

2.5.7 Where Operational Performance is equal to or greater than zero, the value of RTNR is derived in accordance with the following formula:

\[ RTNR = \sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G) \times [\text{MAX}(\text{MIN}(EO - OPP, EO), 0) - \text{MIN}(0, \text{MAX}(\text{MIN}(OPP, T2) - T1, 0) \times AR1 - \text{MAX}(\text{MIN}(OPP - T2, 0) \times AR2)] \]

where:

- \( RAVL_t \) means the RAV value for the licensee and has the value derived in accordance with the GT2 Price Control Financial Model;
- \( G \) means notional gearing, and has the value of 60%;
- \( EO \) means expected outperformance, and has the value of 0.25%;
- \( OPP \) means the Operational Performance value for the licensee, in percentage terms, over the Price Control Period and has the value derived in accordance with the GT2 Price Control Financial Model;
- \( T1 \) means threshold 1, and has the value of 3%;
- \( T2 \) means threshold 2, and has the value of 4%;
- \( AR1 \) means adjustment rate 1, and has the value of 50%; and
- \( AR2 \) means adjustment rate 2, and has the value of 90%.

2.5.8 When Operational Performance is less than zero, the value of RTNR is derived in accordance with the following formula:

\[ RTNR = \sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G) \times [EO + \text{MAX}(\text{MIN}(-OPP, T2) - T1, 0) \times AR1 + \text{MAX}(-OPP - T2, 0) \times AR2] \]

where each term has the meaning given in paragraph 2.5.7.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Part C: What process will the Authority follow in making a direction?

2.5.9 Before making a direction under paragraph 2.5.5, the Authority will publish on the Authority’s Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

2.5.10 A direction under paragraph 2.5.5 will set out the value of the RTNA_t term and the Regulatory Years to which that adjustment relates.
Chapter 3: Totex Allowance adjustments

Special Condition 3.1 Baseline Network Risk Outputs (NARM\textsubscript{t} and NARMAH\textsubscript{t})

Introduction

3.1.1 This condition sets out the requirements on the licensee in respect of Baseline Network Risk Outputs and calculates the value of the terms NARM\textsubscript{t} (the Baseline Allowed NARM Expenditure term) and NARMAH\textsubscript{t} (NARM asset health Re-opener term), which contributes to the calculation of the Totex Allowance.

3.1.2 It also sets out:

(a) the processes for issuing and amending the Network Asset Risk Workbook and the NARM Handbook; and

(b) the requirements on the licensee in respect of a closeout report.

Part A: Requirement to deliver Baseline Network Risk Outputs

3.1.3 By the end of the Price Control Period, the licensee must deliver its Baseline Network Risk Outputs in accordance with sheet “1.1. Baseline Network Risk Outputs” of the Network Asset Risk Workbook.

3.1.4 Any relevant funding adjustments and penalties to reflect the licensee’s Outturn Network Risk Outputs and incurred costs of delivery will be calculated by the Authority in accordance with the NARM Handbook.

Part B: Network Asset Risk Workbook

3.1.5 The Authority will issue and amend the Network Asset Risk Workbook by direction.

3.1.6 The Authority will publish the Network Asset Risk Workbook on the Authority’s Website.

3.1.7 Before issuing the Network Asset Risk Workbook by direction, the Authority will publish on the Authority’s Website:

(a) the text of the proposed Network Asset Risk Workbook;

(b) the date on which the Authority intends the Network Asset Risk Workbook to come into effect; and

(c) a period during which representations may be made on the content of the Network Asset Risk Workbook, which will not be less than 28 days.

3.1.8 Before amending the Network Asset Risk Workbook by direction, the Authority will publish on the Authority’s Website:

(a) the text of the amended Network Asset Risk Workbook;
(b) the date on which the Authority intends the amended Network Asset Risk Workbook to come into effect;
(c) the reasons for the proposed amendments to the Network Asset Risk Workbook; and
(d) a period during which representations may be made on the amended Network Asset Risk Workbook, which will not be less than 28 days.

Part C: NARM Handbook

3.1.9 The Authority will issue and amend the NARM Handbook by direction.

3.1.10 The Authority will publish the NARM Handbook on the Authority's Website.

3.1.11 Before issuing the NARM Handbook by direction, the Authority will publish on the Authority's Website:

(a) the text of the proposed NARM Handbook;
(b) the date on which the Authority intends the NARM Handbook to come into effect; and
(c) a period during which representations may be made on the content of the NARM Handbook, which will not be less than 28 days.

3.1.12 Before amending the NARM Handbook by direction, the Authority will publish on the Authority’s Website:

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

Part D: Baseline Allowed NARM Expenditure for Baseline Network Risk Outputs (NARMa)

3.1.13 The licensee's Baseline Allowed NARM Expenditure for delivering its Baseline Network Risk Outputs is set out in Appendix 1.

Part E: Process for Rebasng Baseline Network Risk Outputs

3.1.14 The Rebased Baseline Network Risk Outputs submitted in accordance with Part C of Special Condition 9.2 (Network Asset Risk Metric methodology) must:

(a) be calculated using the NARM Methodology as approved under paragraph 9.2.9;
(b) be representative of the same assumed volume and type of intervention for each NARM Asset Category as assumed in the setting of the Baseline Network Risk Outputs;
(c) be as Equally Challenging as the Baseline Network Risk Outputs; and
(d) be in the same format as the Network Asset Risk Workbook.

3.1.15 Where the licensee proposes Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2, the Authority will consider the proposal and by direction:

(a) approve it;
(b) approve it with adjustments; or
c) reject it.

3.1.16 Before issuing a direction under paragraph 3.1.15, the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;
(b) the date on which the Authority intends the proposed direction to come into effect;
(c) the reasons for the proposed direction; and
(d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.1.17 Any Rebased Baseline Network Risk Outputs approved by the Authority under paragraph 3.1.15(a) or (b) will supersede the Baseline Network Risk Outputs for the purpose of this condition.

**Part F: Requirement to provide a close out report**

3.1.18 On or before 31 October 2026, the licensee must provide to the Authority a report, together with detailed supporting evidence, which sets out the following:

(a) the licensee’s Outturn Network Risk Outputs;
(b) the costs incurred by the licensee in delivering its Outturn Network Risk Outputs and a breakdown of those costs in the manner specified by the Authority by direction under Standard Condition A40 (Regulatory Instructions and Guidance);
(c) details of any Non-intervention Risk Changes, including the associated impact on Baseline Network Risk Outputs or Outturn Network Risk Outputs; and
(d) justification cases for any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers to be justified.

**Part G: Formulae for calculating the Baseline Allowed NARM Expenditure term (NARM_t) and the NARM asset health Re-opener term (NARMAH_t)**

3.1.19 The value of NARM_t is derived in accordance with the following formula:

\[ NARM_t = NARMA_t - NARMR_t \]
where:

\( NARMA_t \) means the Baseline Allowed NARM Expenditure in Appendix 1; and
\( NARMR_t \) has the value zero unless adjusted by the Authority in accordance with Part A and section 23 of the Act.

3.1.20 The value of \( NARMAH_t \) is derived in accordance with the following formula:

\[
NARMAH_t = NARMAHO_t - NARMAHR_t
\]

where:

\( NARMAHO_t \) means the sum of allowances directed by the Authority in accordance with paragraphs 3.14.4(b), 3.14.8(b) and 3.14.9(b) of Special Condition 3.14 (Asset health Re-opener); and

\( NARMAHR_t \) has the value zero unless adjusted by the Authority in accordance with Part A and section 23 of the Act.

### Appendix 1

Baseline Allowed NARM Expenditure (NARMA\(_t\)) for delivering Baseline Network Risk Outputs (£m)

<table>
<thead>
<tr>
<th>Regulatory Year</th>
<th>NARMA(_t) excluding RPEs (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021/22</td>
<td>70.56</td>
</tr>
<tr>
<td>2022/23</td>
<td>93.60</td>
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<tr>
<td>2023/24</td>
<td>79.78</td>
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<tr>
<td>2024/25</td>
<td>49.85</td>
</tr>
<tr>
<td>2025/26</td>
<td>60.65</td>
</tr>
<tr>
<td><strong>RIIO-2 Total</strong></td>
<td><strong>354.43</strong></td>
</tr>
</tbody>
</table>

Special Condition 3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment (CROT\(_t\) and CROTRE\(_t\))

**Introduction**

3.2.1 The purpose of this condition is to calculate the terms CROT\(_t\) (the cyber resilience OT Price Control Deliverable term) and CROTRE\(_t\) (the cyber resilience OT Re-opener term). These contribute to the calculation of the Totex Allowance.

3.2.2 The effect of this condition is to:
(a) establish the Cyber Resilience OT PCD Table, which specifies the outputs, delivery dates and associated allowances for cyber resilience in relation to OT;

(b) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience OT PCD Table;

(c) require the licensee to submit a Cyber Resilience OT Plan at the start of the Price Control Period;

(d) establish Re-openers for the licensee and Authority to trigger amendments to the Cyber Resilience OT PCD Table during the Price Control Period;

(e) require the licensee to report regularly to the Authority on cyber resilience OT; and

(f) provide for an assessment of delivery under this condition, including a Use It Or Lose It Adjustment.

3.2.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.2.8, 3.2.11, 3.2.15 or 3.2.17.

Part A: Formulae for calculating the cyber resilience OT term (CROT_t) and the cyber resilience OT Re-opener term (CROTRE_t)

3.2.4 The value of CROT_t is derived in accordance with the following formula:

\[ CROT_t = CROTA_t - CROTRA_t \]

where:

- \( CROTA_t \) means the allowances in the Cyber Resilience OT Baseline Allowances Table; and
- \( CROTRA_t \) has the value zero unless otherwise directed by the Authority in accordance with Part F.

3.2.5 The value of CROTRE_t is derived in accordance with the following formula:

\[ CROTRE_t = CROTO_t - CROTORE_t \]

where:

- \( CROTO_t \) means the sum of allowances directed by the Authority as a result of Re-openers established by Parts C, D and E; and
- \( CROTORE_t \) has the value zero unless otherwise directed by the Authority in accordance with Part F.

Part B: Cyber resilience OT outputs

3.2.6 The Cyber Resilience OT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.2.7 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience OT PCD Table.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Part C: Requirement to submit a Cyber Resilience OT Plan and Re-opener application

3.2.8 The licensee must Between 1 April 2021 and 8 April 2021 submit to the Authority:

(a) a Cyber Resilience OT Plan; and
(b) an application for a direction by the Authority requesting such amendments to the Cyber Resilience OT PCD Table as it considers are warranted by its Cyber Resilience OT Plan.

3.2.9 A Cyber Resilience OT Plan submitted under paragraph 3.2.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee’s network and information systems with respect to CAF Outcomes.

3.2.10 An application under paragraph 3.2.8(b) must be made in writing and:

(a) include statements:
   i. setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience OT PCD Table;
   ii. explaining how any amendments requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the licensee’s network and information systems with respect to CAF Outcomes; and
   iii. explaining the basis of the calculations for any amendments requested to allowances; and
(b) provide such detailed supporting evidence as is reasonable in the circumstances.

Part D: Cyber resilience OT Re-opener

3.2.11 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in the Cyber Resilience OT PCD Table where it considers there are:

(a) new activities, including new technology, capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee’s network and information systems with respect to CAF Outcomes;
(b) changes to levels of risks or threats relating to cyber resilience in relation to OT, that take the licensee outside of its organisational risk appetite; or
(c) changes to statutory or regulatory requirements relating to cyber resilience in relation to OT.
3.2.12 The licensee may only apply to the Authority under paragraph 3.2.11 Between 25 January 2023 and 31 January 2023, or during such other periods as the Authority may direct.

3.2.13 An application under paragraph 3.2.11 must be made in writing to the Authority and must:

(a) give details of the circumstances referred to in paragraph 3.2.11 that the licensee considers exist;

(b) set out any amendments requested to the outputs, delivery dates or allowances set out in the Cyber Resilience OT PCD Table;

(c) explain how any amendments requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the licensee’s network and information systems with respect to CAF Outcomes;

(d) explain the basis of the calculations for any amendments requested to allowances; and

(e) provide such detailed supporting evidence as is reasonable in the circumstances.

3.2.14 An application under paragraph 3.2.11 must:

(a) relate to circumstances of the type referred to in paragraph 3.2.11 that have developed since the licensee submitted its Cyber Resilience OT Plan under paragraph 3.2.8;

(b) take account of any allowed expenditure which can be avoided as a result of the change; and

(c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part E: Authority triggered Re-opener

3.2.15 The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in the Cyber Resilience OT PCD Table without an application being made under paragraph 3.2.11, where it considers that:

(a) circumstances of the type referred to in paragraph 3.2.11 exist; or

(b) circumstances exist that create an unreasonable degree of risk in relation to cyber resilience.

3.2.16 In relation to costs, any amendments directed by the Authority will be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part F: Assessment of delivery under this condition (CROTRA\text{t} and CROTR\text{Ot})

3.2.17 The Authority will direct a value for CROTRA\text{t} and CROTR\text{Ot} where either of the following is appropriate:
(a) an adjustment in accordance with the PCD Reporting Requirements and Methodology Document, where the licensee has not Fully Delivered an output in the Cyber Resilience OT PCD Table; or
(b) a Use It Or Lose It Adjustment, which will be assessed after any assessment under sub-paragraph (a).

**Part G: Reporting Requirements**

3.2.18 The licensee must send reports to the Authority, in a form approved by the Authority, that include:

(a) a summary of progress against key milestones contained in the licensee's Improvement Plan;
(b) a summary of developments against the outputs in the Cyber Resilience OT PCD Table;
(c) the licensee's assessment of the impact of the progress and developments referred to in paragraphs 3.2.18(a) and (b) on improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
(d) a description of how the licensee has considered any relevant guidance provided by the Authority;
(e) a summary of the current status of CAF Outcomes; and
(f) detailed supporting evidence as is reasonable in the circumstances.

3.2.19 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.2.18 by no later than the dates, and in relation to the periods, set out in Appendix 3.

**Part H: What process will the Authority follow in making a direction?**

3.2.20 Before making a direction under paragraph 3.2.8, 3.2.11, 3.2.15 or 3.2.17 the Authority will send to the licensee:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.2.21 A direction under paragraph 3.2.8, 3.2.11 or 3.2.15 will:

(a) set out in full the Cyber Resilience OT PCD Table as amended; and
(b) replace the text in Appendix 2 with the title and publication date of the direction.

3.2.22 A direction under paragraph 3.2.217 will set out the value of the CROTRA; and CROTR01 term and the Regulatory Years to which those adjustments relate.
Appendix 1

Title and publication date of document containing the Cyber Resilience OT Baseline Allowances Table

<table>
<thead>
<tr>
<th>Title</th>
<th>Publication Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>RIIO-2 Final Determinations - NGGT Operational Technology Cyber Resilience (REVISED)</td>
<td>3 February 2021</td>
</tr>
</tbody>
</table>

Appendix 2

Title and publication date of document containing the Cyber Resilience OT PCD Table

<table>
<thead>
<tr>
<th>Title</th>
<th>Publication Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>RIIO-2 Final Determinations - NGGT Operational Technology Cyber Resilience (REVISED)</td>
<td>3 February 2021</td>
</tr>
</tbody>
</table>

Appendix 3

Report submission dates and the associated periods to be reported on

<table>
<thead>
<tr>
<th>Dates each year by which reports must be submitted from 31 January 2022 to 31 July 2026</th>
<th>Associated periods to be reported on</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 July</td>
<td>1 October to 31 March</td>
</tr>
<tr>
<td>31 January</td>
<td>1 April to 30 September</td>
</tr>
</tbody>
</table>

Special Condition 3.3 Cyber resilience information technology Re-opener and Price Control Deliverable (CRIT\textsubscript{t} and CRIT\textsubscript{RE\textsubscript{t}})

Introduction

3.3.1 The purpose of this condition is to calculate the terms CRIT\textsubscript{t} (the cyber resilience IT Price Control Deliverable term) and CRIT\textsubscript{RE\textsubscript{t}} (the cyber resilience IT Re-opener term) These contribute to the calculation of the Totex Allowance.

3.3.2 The effect of this condition is to:

(a) establish the Cyber Resilience IT PCD Table, which specifies the outputs, delivery dates and associated allowances for cyber resilience in relation to IT;

(b) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience IT PCD Table;

(c) require the licensee to submit a Cyber Resilience IT Plan at the start of the Price Control Period;
(d) establish Re-openers for the licensee and Authority to trigger amendments to the Cyber Resilience IT PCD Table during the Price Control Period;
(e) require the licensee to report regularly to the Authority on cyber resilience IT; and
(f) provide for an assessment of the Price Control Deliverable.

3.3.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.3.8, 3.3.11, 3.3.15 or 3.3.17.

**Part A: Formulae for calculating the cyber resilience IT term (CRIT\(t\)) and the cyber resilience IT Re-opener term (CRITRE\(t\))**

3.3.4 The value of CRIT\(t\) is derived in accordance with the following formula:

\[
CRIT_t = CRITA_t - CRITRA_t
\]

where:

- \(CRITA_t\) means the allowances in the Cyber Resilience IT Baseline Allowances Table; and
- \(CRITRA_t\) has the value zero unless otherwise directed by the Authority in accordance with Part F.

3.3.5 The value of CRITRE\(t\) is derived in accordance with the following formula:

\[
CRITRE_t = CRITO_t - CRITRO_t
\]

where:

- \(CRITO_t\) means the sum of allowances directed by the Authority as a result of Re-openers established by Parts D and E; and
- \(CRITRO_t\) has the value zero unless otherwise directed by the Authority in accordance with Part F.

**Part B: Cyber resilience IT outputs**

3.3.6 The Cyber Resilience IT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.3.7 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience IT PCD Table.

**Part C: Requirement to submit a Cyber Resilience IT Plan and Re-opener application**

3.3.8 The licensee must Between 1 April 2021 and 8 April 2021 submit to the Authority:

- (a) a Cyber Resilience IT Plan; and
(b) an application for a direction by the Authority requesting such amendments to the Cyber Resilience IT PCD Table as it considers are warranted by its Cyber Resilience IT Plan.

3.3.9 A Cyber Resilience IT Plan submitted under paragraph 3.3.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to IT, including risk reduction on the licensee’s network and information systems.

3.3.10 An application under paragraph 3.3.8(b) must be made in writing and:
(a) include statements:  
   i. setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience IT PCD Table; 
   ii. explaining how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee’s network and information systems; and 
   iii. explaining the basis of the calculations for any amendments requested to allowances; and 
(b) provide such detailed supporting evidence as is reasonable in the circumstances.

Part D: Cyber resilience IT Re-opener

3.3.11 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in the Cyber Resilience IT PCD Table where it considers there are:
(a) new activities, including new technology, capable of improving cyber resilience in relation to IT, including risk reduction in respect to the licensee’s network and information systems;
(b) changes to levels of risks or threats relating to cyber resilience in relation to IT, that take the licensee outside of its organisational risk appetite; or
(c) changes to statutory or regulatory requirements relating to cyber resilience in relation to IT.

3.3.12 The licensee may only apply to the Authority under paragraph 3.3.11 Between 25 January 2023 and 31 January 2023, or during such other periods as the Authority may direct.

3.3.13 An application under paragraph 3.3.11 must be made in writing to the Authority and must:
(a) give details of the circumstances referred to in paragraph 3.3.11 that the licensee considers exist;
(b) set out any amendments requested to the outputs, delivery dates or allowances set out in the Cyber Resilience IT PCD Table;
3.3.14 An application under paragraph 3.3.11 must:
(a) relate to circumstances of the type referred to in paragraph 3.3.11 that have developed since the licensee submitted its Cyber Resilience IT Plan under paragraph 3.3.8;
(b) take account of any allowed expenditure which can be avoided as a result of the change; and
(c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part E: Authority triggered Re-opener

3.3.15 The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in the Cyber Resilience IT PCD Table without an application being made under paragraph 3.3.11, where it considers that:
(a) circumstances of the type referred to in paragraph 3.3.11 exist; or
(b) circumstances exist that create an unreasonable degree of risk in relation to cyber resilience.

3.3.16 In relation to costs, any amendments directed by the Authority will be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part F: Assessment of the Price Control Deliverable (CRITRA\textsubscript{T} and CRITRO\textsubscript{T})

3.3.17 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for CRITRA\textsubscript{T} and CRITRO\textsubscript{T} where the licensee has not Fully Delivered an output in the Cyber Resilience IT PCD Table.

Part G: Reporting Requirements

3.3.18 The licensee must send reports to the Authority, in a form approved by the Authority, that include:
(a) a summary of progress against key milestones contained in the licensee’s Improvement Plan;
(b) a summary of developments against the outputs in the Cyber Resilience IT PCD Table;
(c) the licensee's assessment of the impact of the progress and developments referred to in paragraphs 3.3.18(a) and (b) on improving cyber resilience in relation to IT, including risk reduction;

(d) a description of how the licensee has considered any relevant guidance provided by the Authority; and

(e) such detailed supporting evidence as is reasonable in the circumstances.

3.3.19 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.3.18 by no later than the dates, and in relation to the periods, set out in Appendix 3.

Part H: What process will the Authority follow in making a direction?

3.3.20 Before making a direction under paragraph 3.3.8, 3.3.11, 3.3.15 or 3.3.17, the Authority will send to the licensee:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.3.21 A direction under paragraph 3.3.8, 3.3.11 or 3.3.15 will:

(a) set out in full the Cyber Resilience IT PCD Table as amended; and
(b) replace the text in Appendix 2 with the title and publication date of the direction.

3.3.22 A direction under paragraph 3.3.17 will set out the value of the CRITRA/ and CRITRO/ term and the Regulatory Years to which those adjustments relate.

Appendix 1

Title and publication date of document containing the Cyber Resilience IT Baseline Allowances Table

<table>
<thead>
<tr>
<th>Title</th>
<th>Publication Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>RIIO-2 Final Determinations – NG Group Information Technology Cyber Resilience (REVISED)</td>
<td>3 February 2021</td>
</tr>
</tbody>
</table>

Appendix 2

Title and publication date of document containing the Cyber Resilience IT PCD Table

<table>
<thead>
<tr>
<th>Title</th>
<th>Publication Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>RIIO-2 Final Determinations – NG Group Information Technology Cyber Resilience (REVISED)</td>
<td>3 February 2021</td>
</tr>
</tbody>
</table>

Note: Consolidated conditions are not formal Public Register documents and should not be relied on. Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Appendix 3

Report submission dates and the associated periods to be reported on

<table>
<thead>
<tr>
<th>Dates each year by which reports must be submitted from 31 January 2022 to 31 July 2026</th>
<th>Associated periods to be reported on</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 July</td>
<td>1 October to 31 March</td>
</tr>
<tr>
<td>31 January</td>
<td>1 April to 30 September</td>
</tr>
</tbody>
</table>

Special Condition 3.4 Physical security Re-opener and Price Control Deliverable (PSUP<sub>t</sub> and PSUPRE<sub>t</sub>)

Introduction

3.4.1 The purpose of this condition is to calculate the terms PSUP<sub>t</sub> (the physical security Price Control Deliverable term) and PSUPRE<sub>t</sub> (the physical security Re-opener term). These contribute to the calculation of the Totex Allowance.

3.4.2 The effect of this condition is to:

(a) establish the Physical Security PCD Table, which specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable;

(b) establish a Re-opener for the licensee and Authority to trigger amendments to the Physical Security PCD Table during the Price Control Period; and

(c) provide for an assessment of the Price Control Deliverable.

3.4.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.4.7, 3.4.11 or 3.12.

Part A: Formulae for calculating the physical security Price Control Deliverable term (PSUP<sub>t</sub>) and the physical security Re-opener term (PSUPRE<sub>t</sub>)

3.4.4 The value of PSUP<sub>t</sub> is derived in accordance with the following formula:

\[
PSUP_t = PSUP_A_t - PSUPRA_t
\]

where:

\(PSUP_A_t\) means the sum of allowances in the Physical Security Baseline Allowances Table; and

\(PSUPRA_t\) has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.4.5 The value of PSUPRE<sub>t</sub> is derived in accordance with the following formula:

\[
PSUPRE_t = PSUPO_t - PSUPRO_t
\]

where:
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence
– 24 July 2021

PSUPO_t means the sum of allowances directed by the Authority as a result of Re-openers established by Parts C and D; and

PSUPRO_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.4.6 The Physical Security PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Physical Security Re-opener

3.4.7 The licensee may apply to the Authority for a direction amending the Physical Security PCD Table where the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme has changed.

3.4.8 The licensee may only apply to the Authority under paragraph 3.4.7 Between 25 January and 31 January in year 2024, or during such later periods as the Authority may direct.

3.4.9 An application under paragraph 3.4.7 must be made in writing to the Authority and include statements:

(a) setting out the changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme to which the application relates;

(b) setting out the Critical National Infrastructure classification for each site to which the application relates;

(c) setting out any amendments to the outputs, delivery dates or allowances in the Physical Security PCD Table;

(d) explaining the basis of the calculations for any amendments requested to allowances; and

(e) providing such detailed supporting evidence as is reasonable in the circumstances.

3.4.10 An application under paragraph 3.4.7 must:

(a) relate to changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme on or after 9 December 2019;

(b) take account of any allowed expenditure, which can be avoided as a result of the change; and

(c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Part D: Authority triggered Re-opener

3.4.11 The Authority will also consider directing amendments to the outputs, delivery dates or allowances in the Physical Security PCD Table where there have been changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme that:

(a) have been mandated on or after 9 December 2019; and
(b) relate to costs incurred or expected to be incurred on or after 1 April 2021.

Part E: Assessment of the physical security Price Control Deliverable (PSUPRAt and PSUPROT)

3.4.12 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for PSUPRAt and PSUPROT where the licensee has not Fully Delivered an output in Appendix 2.

Part F: What process will the Authority follow in making a direction?

3.4.13 Before making a direction under paragraph 3.4.7, 3.4.11 or 3.4.12, the Authority will publish on the Authority’s Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.4.14 A direction under paragraph 3.4.7 or 3.4.11 will:

(a) set out in full the Physical Security PCD Table as amended; and
(b) replace the text in Appendix 2 with the title and publication date of the direction.

3.4.15 A direction under paragraph 3.4.12 will set out the value of the PSUPRAt and PSUPROT terms and the Regulatory Years to which those adjustments relate.

Appendix 1

Title and publication date of document containing the Physical Security Baseline Allowances Table

<table>
<thead>
<tr>
<th>Title</th>
<th>Publication Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGGT Redacted Information Document</td>
<td>3 February 2021</td>
</tr>
</tbody>
</table>
Appendix 2

Title and publication date of document containing the Physical Security PCD Table

<table>
<thead>
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<th>Title</th>
<th>Publication Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGGT Redacted Information Document</td>
<td>3 February 2021</td>
</tr>
</tbody>
</table>

Special Condition 3.5 Net Zero And Re-opener Development Fund use it or lose it allowance (RDFₜ)

Introduction

3.5.1 The purpose of this condition is to calculate the term RDFₜ (the Net Zero And Re-opener Development Fund term). This contributes to the calculation of the Totex Allowance.

3.5.2 The effect of this condition is to:

(a) specify the allowance for the Net Zero And Re-opener Development Fund;
(b) require the licensee to comply with the Net Zero And Re-opener Development Fund Governance Document; and
(c) provide for a Use It Or Lose It Adjustment.

3.5.3 This condition also explains the process the Authority will follow when issuing or amending the Net Zero and Re-opener Development Fund Governance Document.

Part A: Formula for calculating the Net Zero And Re-opener Development Fund term (RDFₜ)

3.5.4 The value of RDFₜ is derived in accordance with the following formula:

\[ RDFₜ = RDFAₜ - RDFRₜ \]

where:

RDFAₜ means the allowances in Appendix 1; and

RDFRₜ has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: Net Zero and Re-opener Development Fund Governance Document

3.5.5 The licensee must comply with the Net Zero and Re-opener Development Fund Governance Document when incurring expenditure in relation to the allowance provided by this licence condition.

3.5.6 The Authority will issue and amend the Net Zero and Re-opener Development Fund Governance Document by direction.
3.5.7 The Authority will publish the Net Zero and Re-opener Development Fund Governance Document on the Authority’s Website.

3.5.8 The Net Zero and Re-opener Development Fund Governance Document will make provision about the governance and administration of the Net Zero And Re-opener Development Fund, including:

(a) the definition of “allowable RDF expenditure” and “unrecoverable RDF expenditure”;
(b) the eligibility criteria, which expenditure incurred in relation to the allowance provided by this licence condition must meet; and
(c) the reporting obligations in respect of which expenditure incurred in relation to Net Zero And Re-opener Development Fund must meet.

3.5.9 Before directing that the Net Zero and Re-opener Development Fund Governance Document comes into effect, the Authority will publish on the Authority’s Website:

(a) the text of the proposed Net Zero and Re-opener Development Fund Governance Document;
(b) the date on which the Authority intends the Net Zero and Re-opener Development Fund Governance Document to come into effect; and
(c) a period during which representations may be made on the content of the Net Zero and Re-opener Development Fund Governance Document, which will not be less than 28 days.

3.5.10 Before directing an amendment to the Net Zero and Re-opener Development Fund Governance Document, the Authority will publish on the Authority’s Website:

(a) the text of the amended Net Zero and Re-opener Development Fund Governance Document;
(b) the date on which the Authority intends the amended Net Zero and Re-opener Development Fund Governance Document to come into effect;
(c) the reasons for the amendments to the Net Zero and Re-opener Development Fund Governance Document; and
(d) a period during which representations may be made on the amendments to the Net Zero and Re-opener Development Fund Governance Document, which will not be less than 28 days.

Part C: Use It Or Lose It Adjustment

3.5.11 The Authority will direct an amendment to the value of RDFR where it considers that a Use It Or Lose It Adjustment is appropriate.
Part D: Authority's direction process

3.5.12 Before making a direction under paragraph 3.5.11, the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.5.13 The direction will set out the value of the RDFRt term and the Regulatory Years to which that adjustment relates.

Appendix 1

Net Zero And Re-opener Development Fund allowance (RDFAr) by Regulatory Year (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
<th>2025/2026</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021/22</td>
<td>1.66</td>
<td>1.66</td>
<td>1.66</td>
<td>1.66</td>
<td>1.66</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Special Condition 3.6 Net zero Re-opener (NZt)

Introduction

3.6.1 The purpose of this condition is to calculate the term NZt (the net zero Re-opener term). This contributes to the calculation of the Totex Allowance.

3.6.2 The effect of this condition is to establish a Re-opener for the Authority to trigger amendments to the value of NZt and the outputs, delivery dates and allowances established by the special conditions of this licence.

3.6.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: Formula for calculating the net zero Re-opener term

3.6.4 The value of NZt is derived in accordance with the following formula:

\[ NZ_t = NZO_t - NZRO_t \]

where:

NZO_t means the sum of allowances directed by the Authority as a result of this Re-opener; and

NZRO_t has the value zero unless otherwise directed by the Authority in accordance with Part C.
Part B: What is the scope of this Re-opener?

3.6.5 The Authority will consider directing an adjustment to the value of the NZO\textsubscript{t} term and the outputs, delivery dates and allowances established by the special conditions of this licence where in its opinion:

(a) a Net Zero Development has occurred or is expected to occur;
(b) the Net Zero Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
(c) the effect of the Net Zero Development on the cost of Licensed Activity is not otherwise provided for in this licence;
(d) the effect of the Net Zero Development has not already been assessed under another Re-opener; and
(e) the effect, or estimated effect, of the Net Zero Development on the cost of Licensed Activity exceeds the Materiality Threshold.

Part C: Adjustments to Re-opener allowances

3.6.6 Where a direction under Part B adjusts allowances in relation to a special condition in the first column of the table in Appendix 1, then the direction making power in the second column of the table in Appendix 1 extends to adjusting the value of NZO\textsubscript{t} term.

3.6.7 Before making a direction under paragraph 3.6.6 the Authority will follow the same procedure as specified for the direction making power in the second column of the table in Appendix 1.

Part D: What process will the Authority follow in making a direction?

3.6.8 Before making a direction under paragraph 3.6.5 the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.6.9 The direction will set out:

(a) any adjustments to the PCFM Variable Values of this licence and the Regulatory Years to which those adjustment relate; and
(b) any amendments to the outputs and delivery dates established by the special conditions of this licence.
Appendix 1

Adjustments to Re-opener allowances

<table>
<thead>
<tr>
<th>Special condition</th>
<th>Direction making power</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment</td>
<td>Part F of that condition</td>
</tr>
<tr>
<td>3.3 Cyber resilience information technology Re-opener and Price Control Deliverable</td>
<td>Part F of that condition</td>
</tr>
<tr>
<td>3.4 Physical security Re-opener and Price Control Deliverable</td>
<td>Part E of that condition</td>
</tr>
<tr>
<td>3.10 Bacton terminal site redevelopment Re-opener and Price Control Deliverable</td>
<td>Part E of that condition</td>
</tr>
<tr>
<td>3.11 Compressor emissions Re-opener and Price Control Deliverable</td>
<td>Part E of that condition</td>
</tr>
<tr>
<td>3.12 King’s Lynn subsidence Re-opener and Price Control Deliverable</td>
<td>Part D of that condition</td>
</tr>
<tr>
<td>3.13 Funded incremental obligated capacity Re-opener and Price Control Deliverable</td>
<td>Part E of that condition</td>
</tr>
<tr>
<td>3.15 Asset health – non-lead assets Price Control Deliverable</td>
<td>Part C of that condition</td>
</tr>
<tr>
<td>3.16 Redundant Assets Price Control Deliverable</td>
<td>Part C of that condition</td>
</tr>
</tbody>
</table>

Special Condition 3.7 Non-operational IT Capex Re-opener (NOIT\textsubscript{t})

Introduction

3.7.1 The purpose of this condition is to calculate the term NOIT\textsubscript{t} (the Non-operational IT Capex Re-opener term). This contributes to the calculation of the Totex Allowance.

3.7.2 The effect of this condition is to establish a Re-opener triggered by either the licensee or the Authority for Non-operational IT Capex.

3.7.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

3.7.4 The licensee may only apply to the Authority for a direction adjusting the value of the NOIT\textsubscript{t} term for any Regulatory Year during the Price Control Period as a result of:

(a) the licensee identifying further evidence in support of Non-operational IT Capex projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
(b) the licensee identifying activities capable of improving its Non-operational IT Capex; or
(c) any changes to statutory or regulatory requirements relating to Non-operational IT Capex.

Part B: When to make an application

3.7.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.7.4:
(a) Between 1 April 2021 and 7 April 2021;
(b) Between 25 January 2023 and 31 January 2023; and
(c) during such other periods as the Authority may direct.

Part C: How to make an application

3.7.6 An application under paragraph 3.7.4 must be made to the Authority in writing and:
(a) give details of the circumstances referred to in paragraph 3.7.4 that the licensee considers exist;
(b) explain how the adjustment requested would improve its Non-operational IT Capex;
(c) explain the basis of the calculations for the adjustment requested to allowances;
(d) give details of anticipated business benefits derived from any risk reduction as a result of the proposed activities; and
(e) provide such detailed supporting evidence as is reasonable in the circumstances, which must include:
   i. delivery plans;
   ii. a prioritisation programme;
   iii. a market and industry cost comparison; and
   iv. anticipated business benefits derived as a result of the proposed activities.

3.7.7 An application under paragraph 3.7.4 must:
(a) take account of any allowed expenditure, which can be avoided as a result of the adjustment; and
(b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: Authority triggered re-opener

3.7.8 The Authority will also consider directing an adjustment to the value of the NOIT; without an application being made under paragraph 3.7.4 where it considers that:

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
(a) circumstances of the type referred to in paragraph 3.7.4 exist; and
(b) costs were incurred or will be incurred on or after 1 April 2021.

Part E: What process will the Authority follow in making a direction?

3.7.9 Before making a direction under paragraph 3.7.4 or 3.7.8, the Authority will publish on the Authority’s Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.7.10 A direction under paragraph 3.7.4 or 3.7.8 will set out any amendments to the NOIT term and the Regulatory Years to which that adjustment relates.

Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAMt)

Introduction

3.8.1 The purpose of this condition is to calculate the term CAMt (the coordinated adjustment mechanism term). This contributes to the calculation of the Totex Allowance.

3.8.2 The effect of this condition is to establish a Re-opener triggered by the licensee where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.

3.8.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

3.8.4 The licensee may apply to the Authority for a direction adjusting the value of the CAMt term and the outputs, delivery dates and allowances within the special conditions relating to the CAM Activity for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

Part B: When to make an application

3.8.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.8.4 Between 23 May and 29 May in each of the years 2021, 2022, 2023, 2024, 2025, or during such other periods as the Authority may direct.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Part C: How to make an application

3.8.6 An application under paragraph 3.8.4 must be made in writing to the Authority and:

(a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
(b) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;
(c) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value and why the reallocation does deliver greater overall consumer value;
(d) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;
(e) set out any amendments requested to the outputs, delivery dates or allowances established by the special conditions of this licence and that of the Partner Licensee, relating to the CAM Activity;
(f) set out the adjustments to the value of the CAM Activity term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which that adjustment relates;
(g) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee’s CAM Activity terms or other allowances of the licensee and the Partner Licensee;
(h) provide such detailed supporting evidence, including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and
(i) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.

3.8.7 An application under paragraph 3.8.4 must:

(a) take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
(b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: What process will the Authority follow in making a direction?

3.8.8 Before making a direction under paragraph 3.8.4 the Authority will publish on the Authority’s Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.8.9 The direction will set out:

(a) any adjustments to the PCFM Variable Values of this licence and that of the Partner Licensee;
(b) the Regulatory Years to which those adjustments relate; and
(c) any amendments to the outputs and delivery dates established by the special conditions of this licence and that of the Partner Licensee.

Special Condition 3.9 Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZPt)

Introduction

3.9.1 The purpose of this condition is to calculate the term NZPt (the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener term). This contributes to the calculation of the Totex Allowance.

3.9.2 The effect of this condition is to:

(a) establish a Re-opener for the Authority to trigger amendments to the value of the NZPt; and
(b) require the licensee to comply with the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document.

3.9.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

3.9.4 The Authority will consider directing an adjustment to the value of the NZPt term where in its view:

(a) there is Net Zero Pre-construction Work or Small Net Zero Projects needed that will enable the achievement of Net Zero Carbon Targets;
(b) the Net Zero Pre-construction Work or Small Net Zero Project has caused or is expected to cause the cost of Licensed Activity to increase during the Price Control Period; and
(c) the effect, or estimated effect, of the Net Zero Pre-construction Work or Small Net Zero Project on the cost of Licensed Activity exceeds the materiality threshold of £1m.
Part B: Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document

3.9.5 The licensee must comply with the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document in relation to any Net Zero Pre-construction Work and Small Net Zero Projects funded by this Re-opener.

3.9.6 The Authority will issue and amend the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document by direction.

3.9.7 The Authority will publish the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document on the Authority’s Website.

3.9.8 Before issuing the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document by direction, the Authority will publish on the Authority’s Website:

(a) the text of the proposed Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document;

(b) the date on which the Authority intends the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document to come into effect; and

(c) a period during which representations may be made on the content of the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document, which will not be less than 28 days.

3.9.9 Before amending the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document by direction, the Authority will publish on the Authority’s Website:

(a) the text of the amended Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document;

(b) the date on which the Authority intends the amended Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document to come into effect;

(c) the reasons for the amendments to the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document; and

(d) a period during which representations may be made on the amendments to the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document, which will not be less than 28 days.

Part C: What process will the Authority follow in making a direction?

3.9.10 Before making a direction under paragraph 3.9.4 the Authority will publish on the Authority’s Website:

(a) the text of the proposed direction;

(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction.

3.9.11 The direction will set out any adjustment to the value of the NZP<sub>t</sub> term and the Regulatory Years to which that adjustment relates.

Special Condition 3.10 Bacton terminal site redevelopment Re-opener and Price Control Deliverable (BTR<sub>t</sub> and BTRE<sub>t</sub>)

Introduction

3.10.1 The purpose of this condition is to calculate the terms BTR<sub>t</sub> (the Bacton terminal redevelopment Price Control Deliverable term) and BTRE<sub>t</sub> (the Bacton terminal redevelopment Re-opener term). These contribute to the calculation of the Totex Allowance.

3.10.2 The effect of this condition is to:

(a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
(b) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and
(c) provide for an assessment of the Price Control Deliverable.

3.10.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.10.11 or 3.10.15.

Part A: Formulae for calculating the Bacton terminal redevelopment Price Control Deliverable term (BTR<sub>t</sub>) and the Bacton terminal redevelopment Re-opener term (BTRE<sub>t</sub>)

3.10.4 The value of BTR<sub>t</sub> is derived in accordance with the following formula:

\[ BTR_t = BTRA_t - BTRRA_t \]

where:

- \( BTRA_t \) means the baseline allowances in Appendix 1; and
- \( BTRRA_t \) has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.10.5 The value of BTRE<sub>t</sub> is derived in accordance with the following formula:

\[ BTRE_t = BTRO_t - BTRRO_t \]

where:

- \( BTRO_t \) means the sum of allowances directed by the Authority as a result of the Re-opener established by Part D; and
- \( BTRRO_t \) has the value zero unless otherwise directed by the Authority in accordance with Part E.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Part B: What is the licensee funded to deliver?

3.10.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Final Option Selection Report

3.10.7 Where specified within Appendix 2, the licensee must submit a Final Option Selection Report to the Authority to review and approve the Final Preferred Option.

3.10.8 The Final Option Selection Report must:

(a) be submitted in writing;
(b) be submitted by the delivery date specified in Appendix 2, or such other date directed by the Authority;
(c) include a proposed Final Preferred Option; and
(d) include such detailed supporting evidence including cost benefit analysis, impact assessments, and engineering justification statements, as is reasonable in the circumstances.

3.10.9 The Authority will:

(a) approve the proposed Final Preferred Option;
(b) reject the proposed Final Preferred Option on the basis that the Authority considers no further work should go ahead at this time;
(c) reject the proposed Final Preferred Option and approve one of the other options in the Final Option Selection Report; or
(d) reject the proposed Final Preferred Option and set out additional information that should be provided to identify the best option before a resubmission of the Final Option Selection Report.

3.10.10 Before reaching a decision under paragraph 3.10.9, the Authority will publish on the Authority’s Website:

(a) its proposed decision;
(b) the reasons for its proposed decision; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Part D: Bacton terminal redevelopment Re-opener

3.10.11 The licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 2 Between 01 September 2023 and 07 September 2023 or during such other periods as the Authority directs.

3.10.12 An application under paragraph 3.10.11 must be made in writing to the Authority and include:
(a) the actual costs incurred to date in delivering the outputs in Appendix 2;
(b) the amendments requested to the outputs, delivery dates or allowances in Appendix 2;
(c) the reasons for any amendments requested to Appendix 2;
(d) the basis of the calculations for any amendments requested to allowances in Appendix 2; and
(e) such detailed supporting evidence including improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.10.13 An application under paragraph 3.10.11 must also include:

(a) details of any fully tendered costs for the approved Final Preferred Option;
(b) a Front End Engineering Design for the approved Final Preferred Option; and
(c) a full breakdown of development and equipment costs incurred to date for the project.

3.10.14 An application under paragraph 3.10.11 must:

(a) take account of any allowed expenditure which can be avoided as a result of the amendments requested; and
(b) relate to costs incurred or expected to be incurred on or after 1 April 2021.

Part E: Assessment of Price Control Deliverable (BTRRA\textsubscript{t} and BTRRO\textsubscript{t})

3.10.15 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for BTRRA\textsubscript{t} and BTRRO\textsubscript{t} where the licensee has not Fully Delivered an output in Appendix 2.

Part F: What process will the Authority follow in making a direction?

3.10.16 Before making a direction under paragraph 3.10.11 or 3.10.15 the Authority will publish on the Authority’s Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.10.17 A direction under paragraph 3.10.11 will set out any amendments to Appendix 2.

3.10.18 A direction under paragraph 3.10.15 will set out the value of the BTRRA\textsubscript{t} and BTRRO\textsubscript{t} term and the Regulatory Years to which those adjustments relate.
Appendix 1

Bacton terminal site redevelopment baseline allowances (BTRA\textsubscript{t}) by Regulatory Year

<table>
<thead>
<tr>
<th>Allowance (\textpound m)</th>
<th>21/22</th>
<th>22/23</th>
<th>23/24</th>
<th>24/25</th>
<th>25/26</th>
<th>Total Allowance (All years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>21/22</td>
<td>7.13</td>
<td>3.37</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>£10.50m</td>
</tr>
</tbody>
</table>

Appendix 2

Bacton terminal site redevelopment Price Control Deliverable

<table>
<thead>
<tr>
<th>Site</th>
<th>Output</th>
<th>Delivery date</th>
<th>Re-opener application window</th>
<th>Total allowance (all years) (\textpound m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bacton</td>
<td>Final Option Selection Report</td>
<td>28/02/2022</td>
<td>01/09/2023-07/09/2023</td>
<td>10.50</td>
</tr>
</tbody>
</table>

Special Condition 3.11 Compressor emissions Re-opener and Price Control Deliverable (CEP\textsubscript{t} and CEPRE\textsubscript{t})

Introduction

3.11.1 The purpose of this condition is to calculate the terms CEP\textsubscript{t} (the compressor emissions Price Control Deliverable term) and CEPRE\textsubscript{t} (the compressor emissions Re-opener term). These contribute to the calculation of the Totex Allowance.

3.11.2 The effect of this condition is to:

(a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;

(b) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and

(c) provide for an assessment of the Price Control Deliverable.

3.11.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.11.11 or 3.11.15.

Part A: Formulae for calculating the compressor emissions Price Control Deliverable term (CEP\textsubscript{t}) and the compressor emissions Re-opener term (CEPRE\textsubscript{t})

3.11.4 The value of CEP\textsubscript{t} is derived in accordance with the following formula:

\[ CEP\textsubscript{t} = CEPA\textsubscript{t} - CEPRE\textsubscript{t} \]
where:

\( CEPA_t \) means the sum of baseline allowances in Appendix 1; and

\( CEPRAt \) has the value zero unless otherwise directed by the Authority in accordance with Part F.

3.11.5 The value of \( CEPRE_t \) is derived in accordance with the following formula:

\[
CEPRE_t = CEPO_t - CEPRO_t
\]

where:

\( CEPO_t \) means the allowances directed by the Authority as a result of the Re-opener established by Part E; and

\( CEPRO_t \) has the value zero unless otherwise directed by the Authority in accordance with Part F.

**Part B: What is the licensee funded to deliver?**

3.11.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

**Part C: Final Option Selection Report**

3.11.7 Where specified in Appendix 2, the licensee must submit a Final Option Selection Report to the Authority to review and approve the Final Preferred Option.

3.11.8 The Final Option Selection Report must:

(a) be submitted in writing;

(b) be submitted by the delivery date specified in Appendix 2, or such other date directed by the Authority;

(c) include a proposed Final Preferred Option; and

(d) include such detailed supporting evidence including cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.11.9 The Authority will:

(a) approve the proposed Final Preferred Option;

(b) reject the proposed Final Preferred Option on the basis that the Authority considers no further work should go ahead at this time;

(c) reject the proposed Final Preferred Option and approve one of the other options in the Final Option Selection Report; or

(d) reject the proposed Final Preferred Option and set out additional information that should be provided to identify the best option before a resubmission of the Final Option Selection Report.

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

Special Conditions to National Grid Gas Plc's (NTS) Gas Transporter Licence – 24 July 2021
3.11.10 Before reaching a decision under paragraph 3.11.9, the Authority will publish on the Authority's Website:

(a) its proposed decision;
(b) the reasons for its proposed decision; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

**Part D: Compressor Emissions Re-opener**

3.11.11 The licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 1 in the application windows specified in Appendix 2 or during such other periods as the Authority directs.

3.11.12 An application under paragraph 3.11.11 must be made in writing to the Authority and include:

(a) the actual costs incurred to date;
(b) the amendments requested to the outputs, delivery dates or allowances in Appendix 2;
(c) the reasons for any amendments requested to Appendix 2;
(d) the basis of the costs and calculations for any amendments requested to allowances in Appendix 2; and
(e) such detailed supporting evidence including improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.11.13 An application under paragraph 3.11.11 must also include:

(a) details of any fully tendered costs for the approved Final Preferred Option;
(b) a Front End Engineering Design for the approved Final Preferred Option; and
(c) a full breakdown of development and equipment costs incurred to date for the project.

3.11.14 An application under paragraph 3.11.11 must:

(a) take account of any allowed expenditure, which can be avoided as a result of the amendments requested; and
(b) relate to costs incurred or expected to be incurred on or after 1 April 2021.

**Part E: Assessment of Price Control Deliverable (CEPRA\textsubscript{T} and CEPRO\textsubscript{T})**

3.11.15 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for CEPRA\textsubscript{T} and CEPRO\textsubscript{T} where the licensee has not Fully Delivered an output in Appendix 2.
Part F: What process will the Authority follow in making a direction?

3.11.16 Before making a direction under paragraph 3.11.11 or 3.11.15 the Authority will publish on the Authority’s Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.11.17 A direction under paragraph 3.11.11 will set out any amendments to Appendix 2.

3.11.18 A direction under paragraph 3.11.15 will set out the value of the CEPRAₚ and CEPROₚ term and the Regulatory Years to which those adjustments relate.

Appendix 1

Compressor emissions baseline allowances (CEPAₚ) by Regulatory Year

<table>
<thead>
<tr>
<th>Allowance (£m)</th>
<th>21/22</th>
<th>22/23</th>
<th>23/24</th>
<th>24/25</th>
<th>25/26</th>
<th>Total Allowance (All years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.382</td>
<td>34.51</td>
<td>59.50</td>
<td>20.48</td>
<td>1.01</td>
<td></td>
<td>£123.88</td>
</tr>
</tbody>
</table>

Appendix 2

Compressor emissions Price Control Deliverable

<table>
<thead>
<tr>
<th>Site</th>
<th>Output</th>
<th>Delivery date</th>
<th>Re-opener application window</th>
<th>Total allowance (all years) (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hatton</td>
<td>Emissions compliant compressor procured for 41MW mechanical output power</td>
<td>03/2025</td>
<td>N/A</td>
<td>65.40</td>
</tr>
<tr>
<td>Wormington</td>
<td>Final Option Selection Report</td>
<td>05/2022</td>
<td>11/2024</td>
<td>14.38</td>
</tr>
<tr>
<td>King’s Lynn</td>
<td>Final Option Selection Report</td>
<td>10/2022</td>
<td>04/2025</td>
<td>14.38</td>
</tr>
<tr>
<td>St Fergus</td>
<td>Final Option Selection Report</td>
<td>12/2022</td>
<td>06/2025</td>
<td>20.08</td>
</tr>
<tr>
<td>Peterborough and Huntingdon</td>
<td>Final Option Selection Report</td>
<td>12/2022</td>
<td>06/2025</td>
<td>9.65</td>
</tr>
</tbody>
</table>

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Special Condition 3.12 King’s Lynn subsidence Re-opener and Price Control Deliverable (KLS\textsubscript{t} and KLSRE\textsubscript{t})

Introduction

3.12.1 The purpose of this condition is to calculate the terms KLS\textsubscript{t} (the King’s Lynn subsidence Price Control Deliverable term) and KLSRE\textsubscript{t} (the King’s Lynn subsidence Re-opener term). These contribute to the calculation of the Totex Allowance.

3.12.2 The effect of this condition is to:

(a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;

(b) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and

(c) provide for an assessment of the Price Control Deliverable.

3.12.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.12.7 or 3.12.11.

Part A: Formulae for calculating the King’s Lynn subsidence Price Control Deliverable term (KLS\textsubscript{t}) and the King’s Lynn subsidence Re-opener term (KLSRE\textsubscript{t})

3.12.4 The value of KLS\textsubscript{t} is derived in accordance with the following formula:

\[
KLS\textsubscript{t} = KLSA\textsubscript{t} - KLSRA\textsubscript{t}
\]

where:

- \(KLSA\textsubscript{t}\) means the baseline allowances in Appendix 1; and
- \(KLSRA\textsubscript{t}\) has the value zero unless otherwise directed by the Authority in accordance with Part D.

3.12.5 The value of KLSRE\textsubscript{t} is derived in accordance with the following formula:

\[
KLSRE\textsubscript{t} = KLSO\textsubscript{t} - KLSRO\textsubscript{t}
\]

where:

- \(KLSO\textsubscript{t}\) means the sum of allowances directed by the Authority as a result of the Re-opener established by Part C; and
- \(KLSRO\textsubscript{t}\) has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What is the licensee funded to deliver?

3.12.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.
Part C: King's Lynn subsidence Re-opener

3.12.7 The licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 1 Between 25 March 2022 and 31 March 2022 or such other periods as the Authority may direct.

3.12.8 Before making an application under paragraph 3.12.7, the licensee must complete a Front End Engineering Design for remedial works to address subsidence at King’s Lynn compressor station.

3.12.9 An application under paragraph 3.12.7 must be made in writing to the Authority and:

(a) set out the amendments requested to the outputs, delivery dates or allowances in Appendix 2;

(b) give the reasons for any amendments requested to Appendix 2;

(c) explain the basis of the calculations for any amendments requested to allowances in Appendix 2; and

(d) include such detailed supporting evidence including options assessment, improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.12.10 An application under paragraph 3.12.7 must:

(a) take account of any allowed expenditure, which can be avoided as a result of the amendments requested; and

(b) relate to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: Assessment of Price Control Deliverable (KLSRA\textsubscript{t} and KLSRO\textsubscript{t})

3.12.11 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for KLSRA\textsubscript{t} and KLSRO\textsubscript{t} where the licensee has not Fully Delivered an output in Appendix 2.

Part E: What process will the Authority follow in making a direction?

3.12.12 Before making a direction under paragraph 3.12.7 or 3.12.11 the Authority will publish on the Authority’s Website:

(a) the text of the proposed direction;

(b) the reasons for the proposed direction; and

(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.12.13 A direction under paragraph 3.12.7 will set out any amendments to Appendix 2.

3.12.14 A direction under paragraph 3.12.11 will set out the value of the KLSRA\textsubscript{t} and KLSRO\textsubscript{t} terms and the Regulatory Years to which those adjustments relate.
Appendix 1

King's Lynn subsidence baseline allowances (KLSA) by Regulatory Year

<table>
<thead>
<tr>
<th>Allowance (£m)</th>
<th>21/22</th>
<th>22/23</th>
<th>23/24</th>
<th>24/25</th>
<th>25/26</th>
<th>Total Allowance (All years)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.16</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>£1.16m</td>
</tr>
</tbody>
</table>

Appendix 2

King's Lynn subsidence Price Control Deliverable

<table>
<thead>
<tr>
<th>Project</th>
<th>Output</th>
<th>Delivery Date</th>
<th>Re-opener application window</th>
<th>Total Allowance (all years) (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>King’s Lynn subsidence</td>
<td>Delivery of Re-opener submission</td>
<td>31/03/2022</td>
<td>25/03/2022 - 31/03/2022</td>
<td>1.16</td>
</tr>
</tbody>
</table>

Special Condition 3.13 Funded incremental obligated capacity Re-opener and Price Control Deliverable (FIOCᵣ and FIOCREᵣ)

Introduction

3.13.1 The purpose of this condition is to calculate the terms FIOCᵣ (the funded incremental obligated capacity Price Control Deliverable term) and FIOCREᵣ (the funded incremental obligated capacity Re-opener term). These contribute to the Totex Allowance.

3.13.2 The effect of this condition is to:

(a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
(b) establish a Re-opener for the licensee to apply for an adjustment to its allowed expenditure required to release Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that cannot be released by Entry Capacity Substitution or Exit Capacity Substitution;
(c) provide for Cost And Output Adjusting Events;
(d) provide for an assessment of the Price Control Deliverable; and
(e) establish the FIOC Guidance and Submissions Requirements Document.

3.13.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.13.8, 3.13.11, 3.13.14 or 3.13.15.
Part A: Formula for calculating the funded incremental obligated capacity 
Price Control Deliverable term (FIOCₜ) and funded incremental obligated 
capacity Re-opener term (FIOCₜₑ)

3.13.4 The value of FIOCₜ is derived in accordance with the following formula:

$$FIOCₜ = FIOCₜ𝐴 – FIOCₜ𝑅𝐴$$

where:

- $FIOCₜ𝐴$: means the baseline allowances in Appendix 1; and
- $FIOCₜ𝑅𝐴$: has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.13.5 The value of FIOCₜₑ is derived in accordance with the following formula:

$$FIOCₜₑ = FIOCₜ𝑂 – FIOCₜ𝑅𝑂$$

where:

- $FIOCₜ𝑂$: means the sum of allowances directed by the Authority in accordance with Parts C and D; and
- $FIOCₜ𝑅𝑂$: has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: Outputs and obligation to release capacity

3.13.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.13.7 The licensee must release the capacity associated with the outputs in Appendix 2 in accordance with the terms of the relevant FIOC Project Direction.

Part C: Funded incremental obligated capacity Re-opener

3.13.8 The licensee may apply to the Authority for a FIOC Project Direction specifying an output, delivery date and associated allowances in Appendix 2 to allow the licensee to release Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that cannot be provided by Entry Capacity Substitution or Exit Capacity Substitution.

3.13.9 The licensee may only make an application under paragraph 3.13.8:

(a) once it has obtained the Authority’s approval of the need for the proposed output to which the application relates; and
(b) once it has secured any material planning consents in relation to the proposed output, unless the Authority otherwise directs.

3.13.10 The licensee may only seek approval under paragraph 3.13.9(a) after the end of the period of twelve months beginning with the date of the provision of the relevant notice to the Authority under Part B of Special Condition 9.13

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
(Capacity Requests, Baseline Capacity and Capacity Substitution), or such other date as the Authority may direct.

**Part D: Cost And Output Adjusting Events**

3.13.11 The licensee may apply to the Authority for a direction adjusting the outputs, delivery dates and associated allowances in Appendix 2 where there has been a Cost And Output Adjusting Event if:

(a) the licensee could not have reasonably foreseen the event;
(b) the licensee could not have economically and efficiently planned a contingency for the event;
(c) the event has caused expenditure to increase or decrease by at least 20% relative to the relevant allowance in Appendix 2 or such other percentage as the Authority may direct (calculated before the application of the Totex Incentive Strength); and
(d) the increase or decrease in expenditure is expected to be efficiently incurred or saved.

3.13.12 The licensee must make the application:

(a) as soon as is reasonably practicable after the Cost And Output Adjusting Event has occurred; and
(b) in any event, within the period of three months beginning with the end of the Regulatory Year in which the Cost And Output Adjusting Event occurred but the Authority may by direction permit a later application.

3.13.13 An application under paragraph 3.13.11 must be made in writing and must include:

(a) detailed supporting evidence that a Cost And Output Adjusting Event which meets the requirements set out in paragraph 3.13.11 has occurred;
(b) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2;
(c) the basis of the calculation for any amendments requested to allowances, which must be designed, so far as is reasonably practicable, to keep the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred; and
(d) unless the Authority directs otherwise, a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the output, the proposed adjustments to the output, delivery dates or allowances fairly reflect the effects of the Cost And Output Adjusting Event.

3.13.14 The Authority will also consider directing amendments to the outputs, delivery dates and allowances in Appendix 2, without an application being made under paragraph 3.13.11, where it considers there has been a Cost And Output Adjusting Event.
Adjusting Event meeting the requirements set out in paragraph 3.13.11(a) to (c).

**Part E: Assessment of Price Control Deliverable (FIOCRA_t and FIOCRO_t)**

3.13.15 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for FIOCRA_t and FIOCRO_t where the licensee has not Fully Delivered an output in Appendix 2.

**Part F: What process will the Authority follow in making a direction?**

3.13.16 Before making a direction under paragraphs 3.13.8, 3.13.11, 3.13.14 or 3.13.15, the Authority will publish on the Authority’s Website:

(a) the text of the proposed direction;  
(b) the reasons for the proposed direction; and  
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.13.17 A FIOC Project Direction under paragraph 3.13.8 will set out:

(a) the amendments to Appendix 2; and  
(b) any project-specific Cost And Output Adjusting Events.

3.13.18 A direction under paragraph 3.13.11 or 3.13.14 will set out any amendments to Appendix 2.

3.13.19 A direction under paragraph 3.13.15 will set out:

(a) the value of the FIOCRA_t and FIOCRO_t terms; and  
(b) the Regulatory Years to which those adjustments relate.

**Part G: FIOC Guidance and Submissions Requirements Document**

3.13.20 The licensee must comply with the FIOC Guidance and Submissions Requirements Document when making an application under paragraph 3.13.8 or seeking approval under paragraph 3.13.9(a).

3.13.21 The Authority will issue and amend the FIOC Guidance and Submissions Requirements Document by direction.

3.13.22 The Authority will publish the FIOC Guidance and Submissions Requirements Document on the Authority’s Website.

3.13.23 The FIOC Guidance and Submissions Requirements Document will make provision about the detailed requirements for making applications and seeking approvals under Part C, including timings and documentary requirements.

3.13.24 Before directing that the FIOC Guidance and Submissions Requirements Document comes into effect the Authority will publish on the Authority’s Website:
(a) the text of the proposed FIOC Guidance and Submissions Requirements Document;
(b) the date on which the Authority intends the FIOC Guidance and Submissions Requirements Document to come into effect; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.13.25 Before directing an amendment to the FIOC Guidance and Submissions Requirements Document, the Authority will publish on the Authority’s Website:
(a) the text of the amended FIOC Guidance and Submissions Requirements Document;
(b) the date the Authority intends the amended FIOC Guidance and Submissions Requirements Document to come into effect;
(c) the reasons for the amendments to the FIOC Guidance and Submissions Requirements Document; and
(d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

**Appendix 1**

**Funded incremental obligated capacity baseline allowances (FIOCA_t) by Regulatory Year**

<table>
<thead>
<tr>
<th>Allowance (£m)</th>
<th>21/22</th>
<th>22/23</th>
<th>23/24</th>
<th>24/25</th>
<th>25/26</th>
<th>Total Allowance (All years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Appendix 2**

**Funded incremental obligated capacity Price Control Deliverable**

<table>
<thead>
<tr>
<th>Project</th>
<th>Output</th>
<th>Delivery Date</th>
<th>Total Allowance (all years) (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Special Condition 3.14 Asset health Re-opener (AH_t)**

**Introduction**

3.14.1 The purpose of this condition is to calculate the term AH_t (the asset health term). This contributes to the calculation of the Totex Allowance.

3.14.2 The effect of this condition is to:

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
(a) establish a Re-opener triggered by either the licensee or the Authority to adjust allowances for Compressor Cabs and Plant And Equipment for Regulatory Years commencing on 1 April 2023 to 1 April 2025; and
(b) provide for the true up of costs incurred in Regulatory Years starting on 1 April 2021 and 1 April 2022.

3.14.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

**Part A: What is the scope of this Re-opener?**

3.14.4 The licensee may apply to the Authority for a direction:

(a) adjusting the value of the AHₜ term;
(b) adjusting the value of the NARMAHOₜ term; or
(c) amending the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables where it is seeking allowances for work relating to Compressor Cabs or Plant And Equipment in Regulatory Years commencing on 1 April 2023 to 1 April 2025.

**Part B: When to make an application**

3.14.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.14.4 Between 25 January 2023 and 31 January 2023, or during such later periods as the Authority may direct.

**Part C: How to make an application**

3.14.6 An application under paragraph 3.14.4 must be made in writing to the Authority and include:

(a) the changes the licensee is requesting to:
   i. the value of the AHₜ term and the Regulatory Years to which that adjustment relates;
   ii. the value of the NARMAHOₜ term and the Regulatory Years to which that adjustment relates; and
   iii. the Asset Health Non-Lead Assets PCD Tables;
(b) the basis of the calculation for the proposed adjustments to any allowances; and
(c) such detailed supporting evidence, including justification of unit costs and volumes of work based on historical outturn data, benchmarking, actual condition information, cost benefit analysis, and updated engineering justification papers, as is reasonable in the circumstances.

3.14.7 An application under paragraph 3.14.4 must:
(a) relate to changes to the licensee’s investment plan that have developed since the licensee submitted its GT Asset Health Plan to the Authority in December 2019;
(b) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold; and
(c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: Authority triggered Re-opener

3.14.8 The Authority will also consider directing:

(a) an adjustment to the value of the AH\textsubscript{t} term;
(b) an adjustment to the value of the NARMAHO\textsubscript{t} term; and
(c) an amendment to the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables without an application being made under paragraph 3.14.4, in relation to costs incurred or expected to be incurred relating to Compressor Cabs or Plant And Equipment Between 1 April 2023 and 31 March 2026 that exceed the Materiality Threshold.

Part E: Assessment of Years 1 and 2

3.14.9 After the Regulatory Year starting on 1 April 2022, the Authority will assess costs relating to Compressor Cabs and Plant And Equipment for Regulatory Years commencing on 1 April 2021 and 1 April 2022 and direct:

(a) an adjustment to the value of the AH\textsubscript{t} term;
(b) an adjustment to the value of the NARMAHO\textsubscript{t} term; and
(c) an amendment to the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables to reflect actual efficient costs and work volumes.

Part F: What process will the Authority follow in making a direction?

3.14.10 Before making a direction under paragraph 3.14.4, 3.14.8 or 3.14.9 the Authority will publish on the Authority’s Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.


(a) will set out any adjustments to the value of the AH\textsubscript{t} term and the Regulatory Years to which that adjustment relates;

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
(b) will set out any adjustments to the value of the NARMAHO_t term and the Regulatory Years to which that adjustment relates; and
(c) where any amendments are being made to the outputs, delivery dates or allowances in the Asset Health Non-Lead Assets PCD Tables, will replace the text in Appendix 2 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable).

Special Condition 3.15 Asset health – non-lead assets Price Control Deliverable (NLA_t and NLAAH_t)

Introduction

3.15.1 The purpose of this condition is to calculate the terms NLA_t (the asset health – non-lead assets Price Control Deliverable term) and NLAAH_t (the asset health – non-lead assets Re-opener term). These contribute to the calculation of the Totex Allowance.

3.15.2 The effect of this condition is to specify the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.15.3 This condition also sets out the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formulae for calculating the asset health – non-lead assets Price Control Deliverable term (NLA_t) and the asset health – non-lead assets Re-opener term (NLAAH_t)

3.15.4 The value of NLA_t is derived in accordance with the following formula:

\[ NLA_t = NLAA_t - NLAR_t \]

where:

\( NLAA_t \) means the sum of allowances in the Asset Health Non-Lead Assets Baseline Allowances Table; and
\( NLAR_t \) has the value zero unless otherwise directed by the Authority in accordance with Part C.

3.15.5 The value of NLAAH_t is derived in accordance with the following formula:

\[ NLAAH_t = NLAHOr_t - NLARH_t \]

where:

\( NLAHOr_t \) means the sum of allowances directed by the Authority under paragraphs 3.14.4(c), 3.14.8(c) and 3.14.9(c) of Special Condition 3.14 (Asset health Re-opener); and
\( NLARH_t \) has the value zero unless otherwise directed by the Authority in accordance with Part C.
Part B: What is the licensee funded to deliver?

3.15.6 The Asset Health Non-Lead Assets PCD Tables specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of Price Control Deliverable (NLARt)

3.15.7 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for NLARt where the licensee has not Fully Delivered an output in the Asset Health Non-Lead Assets PCD Tables.

Part D: What process the Authority will follow in making a direction

3.15.8 Before making a direction under paragraph 3.15.7 the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.15.9 A direction under paragraph 3.15.7 will set out the value of the NLARt term and the Regulatory Years to which that adjustment relates.

Appendix 1

Title and publication date of document containing the Asset Health – Non-Lead Assets Baseline Allowances Table

<table>
<thead>
<tr>
<th>Title</th>
<th>Publication Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Determinations - RIIO-GT2 Non-lead assets PCD Annex</td>
<td>3 February 2021</td>
</tr>
</tbody>
</table>

Appendix 2

Title and publication date of document containing the Asset Health – Non-Lead Assets PCD Tables

<table>
<thead>
<tr>
<th>Title</th>
<th>Publication Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Determinations - RIIO-GT2 Non-lead assets PCD Annex (REVISED)</td>
<td>3 February 2021</td>
</tr>
</tbody>
</table>
Special Condition 3.16 Redundant Assets Price Control Deliverable (RA_t)

Introduction

3.16.1 The purpose of this condition is to calculate the term RA_t (the Redundant Asset Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.16.2 The effect of this condition is to specify the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.16.3 This condition also sets out the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the Redundant Asset Price Control Deliverable term (RA_t)

3.16.4 The value of RA_t is derived in accordance with the following formula:

\[ RA_t = RAA_t - RAR_t \]

where:

- \( RAA_t \) means the sum of allowances in the Redundant Assets PCD Tables; and
- \( RAR_t \) has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

3.16.5 The Redundant Assets PCD Tables specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of Price Control Deliverable (RAR_t)

3.16.6 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for RAR_t where the licensee has not Fully Delivered an output in the Redundant Assets PCD Tables.

Part D: What process will the Authority follow in making a direction?

3.16.7 Before making a direction under paragraph 3.16.6 the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.16.8 A direction under paragraph 3.16.6 will set out the value of the RAR_t term and the Regulatory Years to which that adjustment relates.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Appendix 1

Title and publication date of document containing the Redundant Assets PCD Tables

<table>
<thead>
<tr>
<th>Title</th>
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<tr>
<td>Final Determinations – RIIO-GT2 Redundant Assets PCD</td>
<td>3 February 2021</td>
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<tr>
<td>Annex (REVISED)</td>
<td></td>
</tr>
</tbody>
</table>

Special Condition 3.17 Uncertain Costs Re-opener (QL_t and PD_t)

Introduction

3.17.1 The purpose of this condition is to calculate the terms QL_t (Quarry and Loss Development Claim Costs) and the PD_t (Pipeline Diversion Costs). These contribute to the calculation of the Totex Allowance.

3.17.2 The effect of this condition is to establish a Re-opener triggered by either the licensee or the Authority where Uncertain Costs have resulted in material changes to Quarry and Loss Development Claim Costs and Pipeline Diversion Costs.

3.17.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of the Re-opener?

3.17.4 The licensee may apply to the Authority for a direction adjusting:

(a) the value of the QL_t terms in relation to Quarry and Loss Development Claim Costs; or

(b) the value of the PD_t term in relation to Pipeline Diversion Costs.

Part B: When to make an application

3.17.5 The licensee may only make an application under paragraph 3.17.4:

(a) Between 25 January 2023 and 31 January 2023 in relation to Quarry and Loss Development Claim Costs; and

(b) Between 25 January and 31 January in any Regulatory Year during the Price Control Period in relation to Pipeline Diversion Costs.

Part C: How to make an application

3.17.6 An application under paragraph 3.17.4 must be made in writing to the Authority and include:

(a) a statement of the Uncertain Costs to which the application relates;

(b) the adjustments to either the QL_t or PD_t terms that the licensee is requesting and the Regulatory Years to which those adjustments relate;
(c) the basis of the calculation for the proposed adjustments to the value of the QLₜ or PDₜ term; and

(d) such detailed supporting evidence, including improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments and engineering justification papers, as is reasonable in the circumstances and relevant to the Uncertain Costs in question.

3.17.7 An application under paragraph 3.17.4 must:

(a) take account of any allowed expenditure that relates to the Uncertain Costs;

(b) relate to costs incurred or expected to be incurred that for each of the Uncertain Costs applied for exceed the Materiality Threshold; and

(c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: Authority triggered Re-opener

3.17.8 The Authority will also consider directing an adjustment to the QLₜ and PDₜ terms without an application being made under paragraph 3.17.4, where it considers that the licensee has incurred or is likely to incur Uncertain Costs that:

(a) for each of the Uncertain Costs in question exceed the Materiality Threshold; and

(b) were incurred or are expected to be incurred on or after 1 April 2021.

Part E: True up of actual costs.

3.17.9 After the Price Control Period, the Authority will direct an adjustment to the QLₜ and PDₜ term to reflect actual efficient costs.

Part F: What process will the Authority follow in making a direction?

3.17.10 Before making a direction under paragraph 3.17.4, 3.17.8 or 3.17.9 the Authority will publish on the Authority’s Website:

(a) the text of the proposed direction;

(b) the reasons for the proposed direction; and

(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.17.11 The direction will set out any adjustments to the value of the QLₜ and PDₜ terms and the Regulatory Years to which those adjustments relate.

Special Condition 3.18 Opex escalator (OEᵢ)

Introduction

3.18.1 The purpose of this condition is to calculate the OEᵢ term (the opex escalator term). This contributes to the calculation of the Totex Allowance.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
3.18.2 The effect is to provide additional allowance for capital expenditure allowed under particular uncertainty mechanisms.

**Part A: Formula for calculating the opex escalator term (OEₜ)**

3.18.3 The value of OEₜ is derived in accordance with following formula:

\[ OEₜ = 73.4\% \times BCAI \times \frac{UMTERMₜ}{BCAPEX} \]

where:

- **UMTERMₜ** has the value derived in accordance with the formula in paragraph 3.18.4;
- **BCAI** means the baseline allowance for closely associated indirect opex and has the value £239.26m; and
- **BCAPEX** means the baseline allowance for capex and has the value £761.3m.

3.18.4 The value of UMTERMₜ is derived in accordance with the following formula:

\[ UMTERMₜ = PSUPREₜ + NZₜ + NOITₜ + BTREₜ + CEPREₜ + KLSREₜ + FIOCREₜ + AHₜ \]

where

- **PSUPREₜ** has the meaning given in Part A of Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable);
- **NZₜ** has the meaning given in Part A of Special Condition 3.6 (Net Zero Re-opener);
- **NOITₜ** has the value zero unless directed otherwise in accordance with Special Condition 3.7 (Non-operational IT Capex Re-opener);
- **BTREₜ** has the meaning given in Part A of Special Condition 3.10 (Bacton terminal site development Re-opener and Price Control Deliverable);
- **CEPREₜ** has the meaning given in Part A of Special Condition 3.11 (Compressor emissions Re-opener and Price Control Deliverable);
- **KLSREₜ** has the meaning given in Part A of Special Condition 3.12 (King’s Lynn subsidence Re-opener and Price Control Deliverable);
- **FIOCREₜ** has the meaning given in Part A of Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable); and
- **AHₜ** has the value zero unless directed otherwise in accordance with Special Condition 3.14 (Asset health Re-opener).
Chapter 4: Output delivery incentives

Special Condition 4.1 Total output delivery incentive performance (ODI_t)

Introduction

4.1.1 The purpose of this condition is to calculate ODI_t (the output delivery incentives term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

4.1.2 The effect is to produce a total of individual ODI terms.

Part A: Formula for calculating total output delivery incentive performance

4.1.3 The value of ODI_t is derived in accordance with the following formula:

\[ ODI_t = CSI_t + ESI_t \]

where:

\( CSI_t \) is derived in accordance with Special Condition 4.2; and

\( ESI_t \) is derived in accordance with Special Condition 4.3.

Special Condition 4.2 Customer satisfaction survey output delivery incentive (CSI_t)

Introduction

4.2.1 The purpose of this condition is to provide for the calculation of the term CSI_t (the customer satisfaction output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

4.2.2 The effect of the condition is to reward or penalise the licensee in relation to its performance under the customer satisfaction survey output delivery incentive.

Part A: Formula for calculating the customer satisfaction incentive (CSI_t)

4.2.3 The value of CSI_t is derived in accordance with the following formula:

\[ CSI_t = EABR \times CSAF_t \]

where:

\( EABR \) means Ex-Ante Base Revenue; and

\( CSAF_t \) means the revenue adjustment factor based on the licensee's customer satisfaction survey performance in Regulatory Year t, derived in accordance with the following formula:
If CSP\textsubscript{t} > CST:

$$CSAF_t = \min \left[ CSUPA, CSUPA \times \left( \frac{CSP_t - CST}{CSCAP - CST} \right) \right]$$

If CSP\textsubscript{t} < CST:

$$CSAF_t = \max \left[ CSDPA, CSDPA \times \left( \frac{CST - CSP_t}{CST - CSCOL} \right) \right]$$

where:

- CSP\textsubscript{t} is the overall average customer satisfaction survey result in Regulatory Year \text{t};
- CST is the customer satisfaction survey target, and has the value 7.8;
- CSCAP is the customer satisfaction survey cap, and has the value 8.5;
- CSUPA is the customer satisfaction maximum upside percentage adjustment, and has the value 0.5%;
- CSCOL is the customer satisfaction survey collar, and has the value 7.1; and
- CSDPA is the customer satisfaction maximum downside percentage adjustment, and has the value -0.5%.

**Part B: Customer satisfaction surveys**

4.2.4 The licensee must, unless the Authority otherwise consents, carry out a survey at least once in each Regulatory Year to assess customer satisfaction with its Licensed Activity.

4.2.5 The licensee may include such questions in the survey as it considers appropriate, but:

(a) the survey must include a question that asks for overall customer satisfaction to be rated on a scale of 1-10, where 1 is low and 10 is high; and
(b) the question must be framed as “Based on your experience of the [service touchpoints – see Appendix 1] you received/attended, how satisfied are you with National Grid Gas?”.

4.2.6 The licensee must share the results of this survey with the Authority.

**Appendix 1**

**Service touchpoints**

4.2.7 The following service touchpoints may be used in the question in paragraph 4.2.5:

(a) Planning application service
(b) Gas construction service
(c) Gas markets policy and change service
(d) Connections service

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Special Condition 4.3 Environmental scorecard output delivery incentive (ESIᵣ)

Introduction

4.3.1 The purpose of this condition is to calculate the term ESIᵣ (the environmental scorecard output delivery incentive term). This contributes to the calculation of the term ODIᵣ (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

4.3.2 The effect of this incentive is to reward or penalise the licensee for its performance in seven environmental areas as compared to annual improvement thresholds.

4.3.3 This condition also sets out the process that the Authority will follow to update the value EGIᵣ and the baseline measure for Environmental Net Gain as set out in Appendix 1.

Part A: Process for updating Environmental Net Gain incentive rate (EGIᵣ)

4.3.4 The value of EGIᵣ will be zero and the Environmental Net Gain baseline will not be set, until such time as the Authority directs otherwise.

4.3.5 The licensee may request that the Authority make a direction under paragraph 4.3.4 by submitting an application to the Authority in writing setting out:

(a) the proposed value for the term EGIᵣ;
(b) the proposed baseline measure for Environmental Net Gain; and
(c) justification for the proposals under sub-paragraphs (a) and (b).

4.3.6 Before making a direction under paragraphs 4.3.4 the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
4.3.7 A direction under paragraph 4.3.4 will set out:
(a) amendments to this condition to set out:
   i. the value for the term EGI; and
   ii. the baseline measure for Environmental Net Gain; and
(b) the date from which the direction is to have effect, which will not be before
   the first day of the Regulatory Year following the making of the direction.

Part B: Formula for calculating the environmental scorecard output delivery
incentive term (ESI_t)

4.3.8 The value of ESI_t is derived in accordance with the following formula:

$$ ESI_t = [OT_t + BM_t + WR_t + OW_t + WU_t + EV_t + EG_t] \times TIS $$

where:

- **OT_t** means the value of the operational transport emissions component of
  the environmental scorecard incentive derived in accordance with the
  following formula:
  - = OTI_t, if OTA_t <= OTTR_t;
  - = -OTI_t, if OTA_t >= OTTP_t;
  - otherwise has the value zero;

- **OTI_t** means the incentive for operational transport emissions and has the
  value set out in Appendix 1;

- **OTA_t** means the percentage change in the licensee's operational transport
  emissions compared to baseline levels in Appendix 3;

- **OTTR_t** means the reward threshold for operational transport emissions and has
  the value set out in Appendix 2;

- **OTTP_t** means the penalty threshold for operational transport emissions and has
  the value set out in Appendix 2;

- **BM_t** means the value for the business mileage emissions component of the
  environmental scorecard incentive derived in accordance with the
  following formula:
  - = BMI_t, if BMA_t <= BMTR_t;
  - = -BMI_t, if BMA_t >= BMTP_t;
  - otherwise has the value zero;

- **BMI_t** means the incentive for business mileage emissions and has the value set
  out in Appendix 1;

- **BMA_t** means the percentage change in the licensee's total business mileage
  emissions compared to baseline levels in Appendix 3;

- **BMTR** means the reward threshold for business mileage emissions and has the
  value set out in Appendix 2;

- **BMTP** means the penalty threshold for business mileage emissions and has the
  value set out in Appendix 2;
Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021

WRt means the value for the waste recycling component of the environmental scorecard incentive derived in accordance with the following formula:
= WRI, if WRA >= WRTR;
= -WRI, if WRA <= WRTP;
otherwise has value the zero;

WRI means the incentive for waste recycling and has the value set out in Appendix 1;

WRA means the percentage of the licensee's operational and office waste that is recycled;

WRTR means the reward threshold for waste recycling and has the value set out in Appendix 2;

WRTP means the penalty threshold for waste recycling and has the value set out in Appendix 2;

OWt means the value for the office waste reduction component of the environmental scorecard incentive derived in accordance with the following formula:
= OWI, if OWA <= OWTR;
= -OWI, if OWA >= OWTP;
otherwise has the value zero;

OWI means the incentive for office waste reduction and has the value set out in Appendix 1;

OWA means the percentage change in the waste generated at the Licensee’s Offices compared to baseline levels in Appendix 3, provided that for the Warwick site, the amount of waste generated will be attributed to the licensee and other parties in proportion with the capex allocation (as notified by the licensee to the Authority) for each party residing at the site;

OWTR means the reward threshold for office waste reduction and has the value set out in Appendix 2;

OWTP means the penalty threshold for office waste reduction and has the value set out in Appendix 2;

WUt means the value for the water use reduction component of the environmental scorecard incentive derived in accordance with the following formula:
= WUI, if WUA <= WUTR;
= -WUI, if WUA >= WUTP;
otherwise has the value zero;

WUI means the incentive for water use reduction and has the value set out in Appendix 1;

WUA means the percentage change in the volume of [scope to be defined eg construction/operational/office] water use compared to the baseline levels in Appendix 3, provided that for the Warwick site, the amount of water use will be attributed to the licensee and other parties in proportion with the capex allocation (as notified by the licensee to the Authority) for each party residing at the site;
WUTR means the reward threshold for water use reduction and has the value set out in Appendix 2;

WUTP means the penalty threshold for water use reduction and has the value set out in Appendix 2;

$\text{EV}_t$ means the value for the Environmental Value component of the environmental scorecard incentive.

For years 2021/22 to 2024/25, $\text{EV}_t$ is derived in accordance with the following formula:

$$= \text{EVPC}_t + \text{EVCOR}_t$$

For the final year of the Price Control Period, 2025/26, it is derived in accordance with the following formula:

$$= -4 \times \text{EV}_t - \text{EVCOM}_t - 1, \text{ if } \sum_{2021/22}^{t} \text{EVA}_t \times 100 < 6,$$

$$= (\text{Min} \left( \sum_{2021/22}^{t} \text{EVA}_t \times 100, 14 \right) - 10) \times \text{EV}_t - \text{EVCOM}_t - 1 \text{ in all other cases};$$

$\text{EVPC}_t$ means the valuation of the annual change in Environmental Value and is derived in accordance with the following formula:

$$= \text{EV}_t \times (\text{EVT}_t - \text{EVTT}_t) \times 100, \text{ if } \text{EVA}_t < \text{EVTP};$$

$$= \text{EV}_t \times (\text{EVTR}_t - \text{EVTT}_t) \times 100, \text{ if } \text{EVA}_t \geq \text{EVTR};$$

otherwise has the value of zero;

$\text{EVI}_t$ means the incentive for Environmental Value and has the value set out in Appendix 1;

$\text{EVTT}_t$ means the baseline Environmental Value target which is equal to 1% in year 2021/2022 and otherwise has the value of 2.25%;

$\text{EVTR}_t$ means the reward threshold for Environmental Value and has the value set out in Appendix 2;

$\text{EVT}_t$ means the penalty threshold for Environmental Value and has the value set out in Appendix 2;

$\text{EVA}_t$ means the annual percentage change in the Environmental Value of the licensee's non-operational land compared to the baseline levels in Appendix 3;

$\text{EVCOR}_t$ means the correction factor for the Environmental Value component derived in accordance with the following formula:

$$= \text{MIN} \left[ -(\text{EVCOM}_t - 1 + \text{EVPC}_t), (\text{EVA}_t - \text{EVTT}_t) \times 100 \times \text{EV}_t \right]; \text{ if } \text{EVCOM}_t - 1 + \text{EVPC}_t < 0 \text{ AND } \text{EVA}_t > \text{EVTT}$$

$$= \text{MAX} \left[ -(\text{EVCOM}_t - 1 + \text{EVPC}_t), (\text{EVA}_t - \text{EVTT}_t) \times 100 \times \text{EV}_t \right]; \text{ if } (\text{EVCOM}_t - 1 + \text{EVPC}_t) > 0 \text{ AND } \text{EVA}_t < \text{EVTT}_t,$$

otherwise has the value zero;

$\text{EVCOM}_t$ means the cumulative calculated value of the Environmental Value component over the Price Control Period as derived in accordance with the following formula:

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Special Conditions to National Grid Gas Plc's (NTS) Gas Transporter Licence – 24 July 2021
\[EV_t = \sum_{2021/22}^{t} EV_t\]

**EG**\(_t\)

- means the value for the Environmental Net Gain component of the environmental scorecard incentive derived in accordance with the following formula:
  \[= EGR_t + EGP_t\]

**EGR**\(_t\)

- means the value of reward for all Qualifying Projects that have met or exceeded the reward threshold and is derived in accordance with the following formula:
  \[= NR_t^* \times EGI_t\]
- otherwise has the value zero;

**EGP**\(_t\)

- means the value of penalty for all Qualifying Projects that have achieved equal to or less than the penalty threshold and is derived in accordance with the following formula:
  \[= NP_t^* \times EGI_t\]
- otherwise has the value zero;

**NR**\(_t\)

- means the number of Qualifying Projects that have met or exceeded the reward threshold (EGTR\(_t\)) in the Regulatory Year and otherwise has the value zero;

**NP**\(_t\)

- means the number of Qualifying Projects that have achieved equal to or less than the penalty threshold (EGTP\(_t\)) in the Regulatory Year and otherwise has the value zero;

**EGI**\(_t\)

- means the incentive for Environmental Net Gain and has the value set out in Appendix 1;

**EGA**\(_{I,t}\)

- means the percentage change in environmental net gain of Qualifying Project \(I\);

**EGTR**\(_t\)

- means the reward threshold for Environmental Net Gain and has the value set out in Appendix 2;

**EGTP**\(_t\)

- means the penalty threshold for Environmental Net Gain and has the value set out in Appendix 2; and

**TIS**

- means the Totex Incentive Strength.

### Appendix 1

**Incentive values**

<table>
<thead>
<tr>
<th>Incentive Rate</th>
<th>2021/2022</th>
<th>2022/2023</th>
<th>2023/2024</th>
<th>2024/2025</th>
<th>2025/2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTI(_t) (£)</td>
<td>13,796</td>
<td>14,134</td>
<td>14,309</td>
<td>14,484</td>
<td>14,659</td>
</tr>
<tr>
<td>BMI(_t) (£)</td>
<td>879</td>
<td>897</td>
<td>906</td>
<td>1,829</td>
<td>1,847</td>
</tr>
<tr>
<td>WRI(_t) (£)</td>
<td>302</td>
<td>302</td>
<td>302</td>
<td>302</td>
<td>378</td>
</tr>
<tr>
<td>OWI(_t) (£)</td>
<td>76</td>
<td>76</td>
<td>76</td>
<td>153</td>
<td>382</td>
</tr>
<tr>
<td>WUI(_t) (£)</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>EVI(_t) (£)</td>
<td>329,201</td>
<td>329,201</td>
<td>329,201</td>
<td>329,201</td>
<td>329,201</td>
</tr>
</tbody>
</table>

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

Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
### Appendix 2

#### Annual performance thresholds

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>OTTR</td>
<td>-12%</td>
<td>-14%</td>
<td>-16%</td>
<td>-26%</td>
<td>-38%</td>
</tr>
<tr>
<td>OTTP</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
<td>-6%</td>
<td>-18%</td>
</tr>
<tr>
<td>BMTR</td>
<td>-3%</td>
<td>-5%</td>
<td>-7%</td>
<td>-10%</td>
<td>-12%</td>
</tr>
<tr>
<td>BMTP</td>
<td>-1%</td>
<td>-3%</td>
<td>-5%</td>
<td>-6%</td>
<td>-8%</td>
</tr>
<tr>
<td>WRTR</td>
<td>52%</td>
<td>54%</td>
<td>57%</td>
<td>61%</td>
<td>65%</td>
</tr>
<tr>
<td>WRTP</td>
<td>44%</td>
<td>46%</td>
<td>49%</td>
<td>53%</td>
<td>55%</td>
</tr>
<tr>
<td>OWTR</td>
<td>-3%</td>
<td>-5%</td>
<td>-7%</td>
<td>-10%</td>
<td>-25%</td>
</tr>
<tr>
<td>OWTP</td>
<td>-1%</td>
<td>-3%</td>
<td>-5%</td>
<td>-6%</td>
<td>-15%</td>
</tr>
<tr>
<td>WUTR</td>
<td>-3%</td>
<td>-5%</td>
<td>-7%</td>
<td>-10%</td>
<td>-25%</td>
</tr>
<tr>
<td>WUTP</td>
<td>-1%</td>
<td>-3%</td>
<td>-5%</td>
<td>-6%</td>
<td>-15%</td>
</tr>
<tr>
<td>EVTR</td>
<td>1.40%</td>
<td>3.15%</td>
<td>3.15%</td>
<td>3.15%</td>
<td>3.15%</td>
</tr>
<tr>
<td>EVTP</td>
<td>0.60%</td>
<td>1.35%</td>
<td>1.35%</td>
<td>1.35%</td>
<td>1.35%</td>
</tr>
<tr>
<td>EGTR</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>EGTP</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

### Appendix 3

#### Baseline measures

<table>
<thead>
<tr>
<th>Impact area</th>
<th>Year</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational transport emissions (tCO₂e)</td>
<td>2021 forecast</td>
<td>1748</td>
</tr>
<tr>
<td>Business mileage (tCO₂e)</td>
<td>2019/20</td>
<td>1608</td>
</tr>
<tr>
<td>Licensee’s Office waste generated in tonnes</td>
<td>2019/20</td>
<td>54.60</td>
</tr>
<tr>
<td>Licensee’s Office water use in m3</td>
<td>2019/20</td>
<td>7,380</td>
</tr>
<tr>
<td>Environmental Value of licensee’s non-operational land (£m)</td>
<td>2020/21</td>
<td>32.92</td>
</tr>
</tbody>
</table>

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Chapter 5: Other revenue allowances

Special Condition 5.1 Transportation owner other revenue allowance (ORA_t)

Part A: Introduction

5.1.1 The purpose of this condition is to calculate the term ORA_t (the other revenue allowance term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

Part B: Formula for calculating total other revenue allowance (ORA_t)

5.1.2 The value of ORA_t is derived in accordance with the following formula:

\[ ORA_t = NIA_t + CNIA_t + PRPN_t \]

where:

- \( NIA_t \) is derived in accordance with Special Condition 5.2;
- \( CNIA_t \) is derived in accordance with Special Condition 5.3; and
- \( PRPN_t \) means the pre-RIIO pension true up and has the value given in the GT2 Price Control Financial Model.

Special Condition 5.2 RIIO-2 network innovation allowance (NIA_t)

Introduction

5.2.1 The purpose of this condition is to calculate the term NIA_t (the network innovation allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

5.2.2 The effect of this condition is to fund investment in innovation by means of the NIA.

5.2.3 This condition also establishes a framework for the governance and administration of the NIA.

Part A: Formula for calculating the network innovation allowance term (NIA_t)

5.2.4 Subject to paragraph 5.2.5, the value of the NIA_t term is derived in accordance with the following formula:

\[ NIA_t = 90\% \times NIAE_t \]

where:

- \( NIAE_t \) means the Total NIA Expenditure.
5.2.5 The total value of the network innovation allowance over the RIIO-2 Price Control Period is subject to the following cap:

\[
\sum_{t=2021/22}^{2025/26} (NIA_t) \leq (TNIA_t + HYIN_t)
\]

where:

- \(NIA_t\) is derived in accordance with paragraph 5.2.4.
- \(TNIA_t\) means the value of the licensee’s network innovation allowance as set out in Appendix 1.
- \(HYIN_t\) means hydrogen innovation funding and has the value zero unless otherwise directed by the Authority in accordance with Part B.

5.2.6 The licensee must not spend more than 25% of Total NIA Expenditure on internal resources over the Price Control Period.

**Part B: Hydrogen innovation funding (HYIN)**

5.2.7 The Authority will direct a positive value for HYIN\(_t\) where it has decided that the value of NIAE is insufficient to enable the licensee to proceed with hydrogen related innovation that the Authority considers:

(a) ought to proceed; and

(b) satisfy the eligibility criteria specified in the RIIO-2 NIA Governance Document.

5.2.8 Before making a direction under paragraph 5.2.7 the Authority will:

(a) engage with the licensee and stakeholders including:

   i. the Net Zero Innovation Board; or

   ii. the Net Zero Advisory Group; and

(b) publish on the Authority’s Website:

   i. the text of the proposed direction;

   ii. the reasons for the proposed direction; and

   iii. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

5.2.9 A direction under paragraph 5.2.7 will set out the value of the HYIN\(_t\) term and the Regulatory Years to which that adjustment relates.

**Part C: The RIIO-2 NIA Governance Document**

5.2.10 The licensee must comply with the RIIO-2 NIA Governance Document.

5.2.11 The Authority will issue and amend the RIIO-2 NIA Governance Document by direction.
5.2.12 The Authority will publish the RIIO-2 NIA Governance Document on the Authority’s Website.

5.2.13 The RIIO-2 NIA Governance Document will make provision about the regulation, governance and administration of the NIA, including:

(a) the definition of “unrecoverable NIA expenditure”;
(b) the eligibility criteria which RIIO-2 NIA Projects must meet;
(c) the information that is to be published by the licensee before RIIO-2 NIA Projects can begin;
(d) the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-2 NIA Project, and the processes and procedures for that approval;
(e) arrangements for ensuring that learning from RIIO-2 NIA Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees;
(f) the reporting obligations in respect of RIIO-2 NIA Projects (which may include reporting in respect of the funding and the completion of such projects, and the provisions of the RIIO-2 NIA Governance Document); and
(g) arrangements relating to the treatment of intellectual property rights in respect of RIIO-2 NIA Projects.

5.2.14 Before directing that the RIIO-2 NIA Governance Document comes into effect, the Authority will publish on the Authority’s Website:

(a) the text of the proposed RIIO-2 NIA Governance Document;
(b) the date on which the Authority intends the RIIO-2 NIA Governance Document to come into effect; and
(c) a period during which representations may be made on the content of the RIIO-2 NIA Governance Document, which will not be less than 28 days.

5.2.15 Before directing an amendment to the RIIO-2 NIA Governance Document, the Authority will publish on the Authority’s Website:

(a) the text of the amended RIIO-2 NIA Governance Document;
(b) the date on which the Authority intends the amended RIIO-2 NIA Governance Document to come into effect;
(c) the reasons for the amendments to the RIIO-2 NIA Governance Document; and
(d) a period during which representations may be made on the amendment to the RIIO-2 NIA Governance Document, which will not be less than 28 days.
Appendix 1
Value of the licensee’s network innovation allowance

<table>
<thead>
<tr>
<th>Licensee</th>
<th>Value of TNIA ( t ) (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGGT</td>
<td>25.00</td>
</tr>
</tbody>
</table>

**Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA\( t \))**

**Introduction**

5.3.1 The purpose of this condition is to calculate the term CNIA\( t \) (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORA\( t \) (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

5.3.2 The effect of this condition is to extend RIIO-1 Network Innovation Allowance funding.

5.3.3 This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

**Part A: Formula for calculating the Carry-over Network Innovation Allowance term (CNIA\( t \))**

5.3.4 For the Regulatory Year commencing on 1 April 2021, the value of CNIA is derived in accordance with the following formula:

\[
CNIA_t = (0.9 \times \min \{ECNIA_t, CNIAV\} - CNIAR_t) \times \frac{PI_{2018/19}}{PI_t}
\]

where:

- \( ECNIA_t \) means the expenditure incurred by the licensee in respect of Eligible CNIA Projects as calculated by the licensee in accordance with the RIIO-1 NIA Governance Document and reported to the Authority in accordance with the RIGs;
- \( CNIAV \) is derived in accordance with Part B;
- \( CNIAR_t \) means an amount recovered by the licensee in relation to Regulatory Year 2021/22 under the RIIO-1 Network Innovation Allowance which the Authority has directed is unrecoverable in accordance with the RIIO-1 NIA Governance Document; and
- \( \frac{PI_{2018/19}}{PI_t} \) is the price index derived in accordance with Part F of Special Condition 2.1.
5.3.5 For Regulatory Years commencing on or after 1 April 2022, the value of CNIA is equal to zero.

5.3.6 Eligible CNIA Internal Expenditure may not exceed 25% of the total Eligible CNIA, unless the Authority otherwise consents.

Part B: Formula for calculating the Carry-over Network Innovation Allowance Value term (CNIAV)

5.3.7 The value of CNIAV is derived in accordance with the following formula:

$$CNIAV = NIAV_{2020/21} \times BR_{2020/21} - \left(ENIA_{2020/21} + BPC_{2020/21}\right)$$

where:

- $NIAV_{2020/21}$ is calculated in accordance with Part B of Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021;
- $BR_{2020/21}$ is calculated in accordance with Part B of Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021;
- $ENIA_{2020/21}$ is calculated in accordance with Part B of Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021; and
- $BPC_{2020/21}$ is calculated in accordance with Part B of Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021.

Part C: The RIIO-1 NIA Governance Document

5.3.8 The licensee must comply with the RIIO-1 NIA Governance Document.

5.3.9 The Authority will amend the RIIO-1 NIA Governance Document by direction.

5.3.10 The RIIO-1 NIA Governance Document makes and will continue to make additional provision in respect of:

(a) arrangements for ensuring that relevant learning from Eligible CNIA Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees whose licences contain a condition of equivalent effect to this condition;
(b) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the RIIO-1 NIA Governance Document);
(c) arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and
(d) any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.
Part D: Procedure for amending the RIIO-1 NIA Governance Document

5.3.11 Before amending the RIIO-1 NIA Governance Document by direction, the Authority will publish on the Authority’s Website:

(a) the text of the amended RIIO-1 NIA Governance Document;
(b) the date on which the Authority intends the amended RIIO-1 NIA Governance Document to come into effect;
(c) the reasons for the amendments to the RIIO-1 NIA Governance Document; and
(d) a period during which representations may be made on the amendments to the RIIO-1 NIA Governance Document, which will not be less than 28 days.

Special Condition 5.4 System operator other revenue allowance (SOORA_t)

Introduction

5.4.1 The purpose of this condition is to calculate the term SOORA_t (the other revenue allowance term). This contributes to the calculation of SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).

Part A: Formula for calculating total other revenue allowance (SOORA_t)

5.4.2 The value of SOORA_t is derived in accordance with the following formula:

\[ SOORA_t = CM_t + SOIRC_t + SOPRPN_t \]

where:

- \( CM_t \) is derived in accordance with Special Condition 5.5;
- \( SOIRC_t \) is derived in accordance with Special Condition 5.6; and
- \( SOPRPN_t \) means the pre-RIIO pension true up and has the value given in the GT2 Price Control Financial Model.

Special Condition 5.5 Entry Capacity and Exit Capacity Constraint Management (CM_t)

Introduction

5.5.1 The purpose of this condition is to calculate the term CM_t (the Entry Capacity and Exit Capacity Constraint Management allowed revenue term). This contributes to calculation of SOORA_t (the other revenue allowance term) in Special Condition 5.4 (SO other revenue allowance).

5.5.2 CM_t is the sum of Exit Capacity buyback costs, revenue from accelerated release of Incremental Obligated Entry Capacity and the incentive revenue from the Constraint Management incentive scheme, that encourages the licensee to minimise its Constraint Management costs net of revenue.
Part A: The Constraint Management allowed revenue (CMt)

5.5.3 The value of CMt is derived in accordance with the following formula:

\[ CM_t = CMIR_t + RAREnCA_t + ExBBCNLRA_t \]

where:
- \( CMIR_t \) is derived in accordance with paragraph 5.5.4;
- \( RAREnCA_t \) means the revenue from the accelerated release of Incremental Obligated Entry Capacity from the sale of Non-Obligated Entry Capacity at an NTS Entry Point; and
- \( ExBBCNLRA_t \) is the Exit Capacity buyback costs incurred by the licensee which users are liable to reimburse to the licensee in accordance with the Uniform Network Code and which arise:
  (a) as a result of the rate of offtake by a User at a particular NTS Exit Point exceeding the maximum permitted offtake rate for that NTS Exit Point;
  (b) as a result of an Aggregate Overrun of Exit Capacity at an NTS Exit Point; or
  (c) in respect of any NTS Exit Point in respect of which the licensee has notified a planned Maintenance Day in accordance with the Uniform Network Code.

Part B: The Constraint Management incentive revenue (CMIRt)

5.5.4 The value of CMIRt is derived in accordance with the following formula:

\[ CMIR_t = CMSF \times (CMOpTC_t - CMOpPM_t) - CMInvC_t \]

where:
- \( CMSF \) is the Constraint Management sharing factor which has the value of the Totex Incentive Strength;
- \( CMOpTC_t \) is derived in accordance with paragraph 5.5.12;
- \( CMOpPM_t \) is derived in accordance with part 5.5.5;
- \( CMInvC_t \) is derived in accordance with paragraph 5.5.9; and

\[ \text{if } CMIR_t \leq ANLL_t \text{ then } CMIR_t = ANLL_t, \text{ or if } CMIR_t > ANLU_t \text{ then } CMIR_t = ANLU_t \]

where:
- \( ANLL_t \) has the value set out in Appendix 2; and
- \( ANLU_t \) has the value set out in Appendix 3.
Part C: The Constraint Management operational performance measure (CMOpPMt)

5.5.5 The value of CMOpPMt is derived in accordance with the following formula:

\[ CMOpPM_t = CMOpC_t - ExBBCNLRA_t - RODEC_t - RIEC_t + RFIEC_t \]
\[ - (RNOEC_t - RAREnCA_t) - RLOC_t - RPOExC_t + RFOPOExC_t - RNOExC_t \]
\[ - RODExC_t - RADD_t \]

where:
- \( CMOpC_t \) is derived in accordance with paragraph 5.5.8;
- \( ExBBCNLRA_t \) has the meaning set out in paragraph 5.5.3;
- \( RODEC_t \) is the revenue derived by the licensee from on the Day sales of Obligated Entry Capacity;
- \( RIEC_t \) is the revenue derived by the licensee from the sale of Interruptible Entry Capacity;
- \( RFIEC_t \) is derived in accordance with paragraph 5.5.6;
- \( RNOEC_t \) is the revenue derived by the licensee from sales of Non-Obligated Entry Capacity;
- \( RAREnCA_t \) has the meaning set out in paragraph 5.5.3;
- \( RLOC_t \) is the revenue derived by the licensee from Locational Sell Actions and Physical Renomination Incentive Charges;
- \( RPOExC_t \) is the revenue derived by the licensee from the sale of Off-Peak Exit Capacity;
- \( RFOPOExC_t \) is derived in accordance with paragraph 5.5.7;
- \( RNOExC_t \) is the revenue derived by the licensee from the sale of Non-Obligated Exit Capacity;
- \( RODExC_t \) is the revenue derived by the licensee from on the Day sales of Obligated Exit Capacity; and
- \( RADD_t \) is any further revenues derived by the licensee that the Authority has directed the licensee to include in the Constraint Management operational performance measure CMOpPMt.

Part D: Revenue from curtailed Interruptible Entry Capacity (RFIECt)

5.5.6 The value of RFIECt is derived in accordance with the following formula:

\[ RFIEC_t = RIEC_t \times \left( 1 - \frac{RSIEC_t}{SIEC_t} \right) \]

where:
- \( RSIEC_t \) is the remaining sold quantity of Interruptible Entry Capacity (kWh) after curtailment derived by the licensee; and

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
$SIEC_t$ is the sold quantity of Interruptible Entry Capacity (kWh) derived by the licensee.

**Part E: Revenue from sale of curtailed Off-Peak Exit Capacity (RFOPExC_t)**

5.5.7 The value of RFOPExC_t is derived in accordance with the following formula:

$$RFOPExC_t = ROPExC_t \times \left(1 - \frac{RSOPExC_t}{SOPExC_t}\right)$$

where:

$RSOPExC_t$ is the remaining sold quantity of Off-Peak Exit Capacity (kWh) after curtailment derived by the licensee; and

$SOPExC_t$ is the sold quantity of Off-Peak Exit Capacity (kWh) derived by the licensee.

**Part F: The Constraint Management operational costs (CMOpC_t)**

5.5.8 The value of CMOpC_t is derived in accordance with the following formula:

$$CMOpC_t = EnCMOpC_t + ExCMOpC_t$$

where:

$EnCMOpC_t$ means the Entry Capacity operational Constraint Management cost term, incurred by the licensee in respect of Entry Capacity Constraint Management but excluding those included within the EnCMInvC_t term (as defined in paragraph 5.5.9); and

$ExCMOpC_t$ means the Exit Capacity operational Constraint Management cost term incurred by the licensee in respect of Exit Capacity Constraint Management but excluding those included within the ExCMInvC_t term (as defined in paragraph 5.5.9).

**Part G: The Constraint Management investment costs (CMInvC_t)**

5.5.9 The value of CMInvC_t is derived in accordance with the following formula:

$$CMInvC_t = EnCMInvC_t + ExCMInvC_t$$

where:

$EnCMInvC_t$ is the Entry Capacity investment Constraint Management cost term incurred by the licensee in respect of Constraint Management which relates to Funded Incremental Obligated Entry Capacity first released for sale by the licensee on or after 1 April 2021 until such time as that Entry Capacity has been physically delivered; and

$ExCMInvC_t$ is the Exit Capacity investment Constraint Management cost term incurred by the licensee in respect of Constraint Management which relates to Funded Incremental Obligated Exit Capacity first released for sale by the licensee on or after 1 April 2021 until such time as that Exit Capacity has been physically delivered.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
5.5.10 In deriving EnCMInvC\(_t\) and ExCMInvC\(_t\) the licensee must use reasonable endeavours to ensure it does not pay more than 0.52p/kWh/Day in respect of Constraint Management costs for Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity.

5.5.11 Where the licensee has incurred either Entry Capacity or Exit Capacity costs for Constraint Management in respect of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity, the licensee must, no later than 28 days following the last Constraint Management action in respect of EnCMInvC\(_t\) and ExCMInvC\(_t\), send a report to the Authority demonstrating how it used reasonable endeavours to satisfy the obligation in paragraph 5.5.10.

**Part H: The Constraint Management operational target (CMOpTC\(_t\))**

5.5.12 The value of CMOpTC\(_t\) is derived in accordance with the following formula:

\[
CMOpTC\(_t\) = CMOpBT\(_t\) + CMOpDT\(_t\)
\]

where:

- \(CMOpBT\(_t\)\) is the Constraint Management base target as specified in Appendix 1; and
- \(CMOpDT\(_t\)\) is the variation to the Constraint Management target (which could be positive or negative) as determined in accordance with Part I.

**Part I: Determination of the variation to the Constraint Management operational target**

5.5.13 The licensee must apply to the Authority in writing setting out its proposal for CMOpDT\(_t\) where the implementation of the Re-opener in Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable) is likely to cause a variation in the Constraint Management operational target in Part H.

5.5.14 Where the licensee makes an application under paragraph 5.5.13 it must include, in sufficient detail to enable the Authority to decide whether the licensee should implement the proposal, the following:

(a) an explanation of how implementation of the Re-opener will cause a variation in the value of CMOpDT\(_t\) and in turn the variation in the Constraint Management operational target, setting out any proposed amendments to CMOpTC\(_t\);

(b) the evidence to support the licensee’s proposal;

(c) the date from which the variation to the Constraint Management operational target would apply and, where relevant, the date to which it would apply; and

(d) the value that the licensee proposes the CMOpDT\(_t\) term should take in each relevant Regulatory Year.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on. Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
5.5.15 The licensee must keep a record of each application made under paragraph 5.5.13.

5.5.16 The licensee must implement the proposal as set out in the application made pursuant to paragraph 5.5.13 or as modified in accordance with paragraph 5.5.17, unless:

(a) the Authority has, during the period of 28 days beginning with the date of receipt by the Authority of the application, directed the licensee to suspend implementation of the proposal because in the Authority's opinion the application made pursuant to paragraph 5.5.13 requires further consideration to evaluate whether the proposal, and the supporting information, are consistent with the licensee's duties under the Act and the conditions of its licence; or

(b) the Authority has, during the period of 56 days beginning with the date of receipt by the Authority of the application, directed the licensee not to implement the proposal.

5.5.17 Where the Authority has notified the licensee in writing to suspend implementation of the proposal in accordance with paragraph 5.5.16(a), the Authority will, during the period of 56 days beginning with the date of receipt by the Authority of the application, direct the licensee either:

(a) to implement the proposal in accordance with the application made under paragraph 5.5.13; or

(b) to implement the proposal in a modified form, subject to the agreement of the licensee, where such modifications relate to:

i. the value of CMOpDT; and

ii. the date from which the value of CMOpDT applies.

5.5.18 A direction under paragraph 5.5.17 will set out any amendments to Appendix 1.

5.5.19 Where a proposal is implemented without the Authority giving a direction, the value of CMOpDT will be that proposed by the licensee, unless and until it is withdrawn under paragraph 5.5.20, when it will revert to the value in the previous proposal or zero, whichever is more recent.

5.5.20 The licensee may withdraw a proposal made under paragraph 5.5.13 unless the Authority has given a direction under paragraph 5.5.17.

**Part J: Obligation to produce a statement of Constraint Management cost allocation rules**

5.5.21 The licensee must have a statement of Constraint Management cost allocation rules, setting out the rules for attributing Constraint Management costs for the purposes of Part F and Part G approved by the Authority.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc's (NTS) Gas Transporter Licence – 24 July 2021
Part K: Parameters to review Constraint Management

5.5.22 The Authority may review some or all conditions contained within Special Condition 5.5, notifying the licensee of the intent and extent of the review, when:

(a) CMIRₜ ≤ ANLLₜ in any Regulatory Year;
(b) CMIRₜ ≥ ANLUₜ for two consecutive Regulatory Years; or
(c) where the Authority expects either 5.5.22 (a) or (b) to occur.

Appendix 1
Constraint Management target (CMOpBTₜ) by Regulatory Year (£m)

<table>
<thead>
<tr>
<th></th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
<th>2025/26</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.50</td>
<td>8.50</td>
<td>8.50</td>
<td>8.50</td>
<td>8.50</td>
<td>8.50</td>
</tr>
</tbody>
</table>

Appendix 2
Annual lower limits on Constraint Management incentive revenue (ANLLₜ) by Regulatory Year (£m)

<table>
<thead>
<tr>
<th></th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
<th>2025/26</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5.20</td>
<td>-5.20</td>
<td>-5.20</td>
<td>-5.20</td>
<td>-5.20</td>
<td>-5.20</td>
</tr>
</tbody>
</table>

Appendix 3
Annual upper limits on Constraint Management incentive revenue (ANLUₜ) by Regulatory Year (£m)

<table>
<thead>
<tr>
<th></th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
<th>2025/26</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.20</td>
<td>5.20</td>
<td>5.20</td>
<td>5.20</td>
<td>5.20</td>
<td>5.20</td>
</tr>
</tbody>
</table>

Special Condition 5.6 System operator external incentives, revenues and costs (SOIRCᵢ)

Introduction

5.6.1 The purpose of this condition is to calculate the term SOIRCᵢ (the system operator incentive revenue and costs term). This contributes to calculation of SOORAdᵢ (the other revenue allowance term) in Special Condition 5.4 (SO other revenue allowance).

5.6.2 This condition also outlines the licensee’s obligations in relation to certain gas system operator services.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Part A: The system operator incentive revenue and costs (SOIRC_t)

5.6.3 The value of SOIRC_t is derived in accordance with the following formula:

\[ SOIRC_t = RBC_t + OMC_t + SC_t + RBIR_t + QDAIR_t + GHGIR_t + MIR_t \]

where:

- \( RBC_t \) is an amount (£m) equal to the revenue equivalent to the net residual balancing costs incurred by the licensee in respect of Regulatory Year \( t \) and shall be equal to the sum of the Basic Net Neutrality Amount and the Adjustment Neutrality Amount across all Days in Regulatory Year \( t \);
- \( OMC_t \) is the total costs incurred by the licensee from the procurement of availability and utilisation of Operating Margins services for the purposes of satisfying Operating Margins Requirements. It includes all capacity fees, gas delivery service fees, standby fees and costs associated with reprofiling, withdrawing and injecting gas into and out of gas Storage Facilities and costs that may arise as a result of the difference between the Operating Margins WACOG and Net Margins WACOG (as calculated in accordance with the Uniform Network Code) in the event of service utilisation multiplied by the relevant utilisation volume;
- \( SC_t \) is derived in accordance with Part I.
- \( RBIR_t \) is derived in accordance with Part B;
- \( QDAIR_t \) is derived in accordance with Part C;
- \( GHGIR_t \) is derived in accordance with Part D; and
- \( MIR_t \) is derived in accordance with Part F.

Part B: The residual balancing incentive (RBIR_t)

5.6.4 The value of RBIR_t is derived in accordance with the following formula:

\[ RBIR_t = \min \{1.6, \max (STIP_t, -2.8)\} \]

where:

- \( STIP_t \) is the sum of the total daily incentive payments and is derived in accordance with the following formula:

\[ STIP_t = \frac{\sum_d DPIP_{t,d} + \sum_d DLIP_{t,d}}{1000000} \]

where:

- \( DPIP_{t,d} \) is the daily price incentive payment on Day \( d \) and is derived in accordance with paragraph 5.6.5; and
- \( DLIP_{t,d} \) is the daily linepack incentive payment on Day \( d \) and is derived in accordance with paragraphs 5.6.7 and 5.6.8.

5.6.5 The value of \( DPIP_{t,d} \) is derived in accordance with the following table:
5.6.6 The value of $PPM_{t,d}$ is derived in accordance with the following formula:

$$PPM_{t,d} = \left( \frac{(TMIBP_{t,d} - TMISP_{t,d})}{SAP_{t,d}} \right) \times 100$$

where:
- $TMIBP_{t,d}$ is the price (p/kWh) equal to the highest Market Offer Price in relation to an Eligible Balancing Action excluding any Locational Actions taken in respect of Day $d$ of Regulatory Year $t$. If the licensee took no such eligible action in respect of Day $d$, $TMIBP_{t,d}$ equals $SAP_{t,d}$;
- $TMISP_{t,d}$ is the price (p/kWh) equal to the lowest Market Offer Price in relation to an Eligible Balancing Action excluding any Locational Actions taken in respect of Day $d$ of Regulatory Year $t$. If the licensee took no such eligible action in respect of Day $d$, $TMISP_{t,d}$ equals $SAP_{t,d}$; and
- $SAP_{t,d}$ is the System Average Price (p/kWh) in respect of Day $d$ of Regulatory Year $t$.

5.6.7 The value of $DLIP_{t,d}$ is derived for the months that are not Shoulder Months of Regulatory Year $t$ in accordance with the following table:

<table>
<thead>
<tr>
<th>$LPM_{t,d}$</th>
<th>$DLIP_{t,d}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 \leq LPM_{t,d} \leq 1.5$</td>
<td>3,200</td>
</tr>
<tr>
<td>$1.5 &lt; LPM_{t,d} &lt; 2.8$</td>
<td>$3,200 \times \left( \frac{2.8 - LPM_{t,d}}{1.3} \right)$</td>
</tr>
<tr>
<td>$LPM_{t,d} = 2.8$</td>
<td>0</td>
</tr>
<tr>
<td>$15 &gt; LPM_{t,d} &gt; 2.8$</td>
<td>$-24,000 \times \left( \frac{2.8 - LPM_{t,d}}{-12.2} \right)$</td>
</tr>
<tr>
<td>$LPM_{t,d} \geq 15$</td>
<td>$-24,000$</td>
</tr>
</tbody>
</table>

5.6.8 For the Shoulder Months of Regulatory Year $t$, the value of $DLIP_{t,d}$ is derived in accordance with the following table:

<table>
<thead>
<tr>
<th>$LPM_{t,d}$</th>
<th>$DLIP_{t,d}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 \leq LPM_{t,d} \leq 1.5$</td>
<td>3,200</td>
</tr>
<tr>
<td>$1.5 &lt; LPM_{t,d} &lt; 2.8$</td>
<td>$3,200 \times \left( \frac{2.8 - LPM_{t,d}}{1.3} \right)$</td>
</tr>
<tr>
<td>$2.8 \leq LPM_{t,d} \leq 5.6$</td>
<td>0</td>
</tr>
<tr>
<td>$5.6 &lt; LPM_{t,d} &lt; 6.4$</td>
<td>$-24,000 \times \left( \frac{5.6 - LPM_{t,d}}{-0.4} \right)$</td>
</tr>
<tr>
<td>$LPM_{t,d} \geq 15$</td>
<td>$-24,000$</td>
</tr>
</tbody>
</table>

5.6.9 The value of the $LPM_{t,d}$ is derived in accordance with the following formula:

$$LPM_{t,d} = \max \left[ (OLP_{t,d} - CLP_{t,d}) , (CLP_{t,d} - OLP_{t,d}) \right]$$

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
where:

\( OLP_{t,d} \) is the total NTS Linepack in respect of Day \( d \) of Regulatory Year \( t \) at 05:00 hours on Day \( d \); and

\( CLP_{t,d} \) is the total NTS Linepack in respect of Day \( d \) of Regulatory Year \( t \) at 05:00 hours on Day \( d+1 \).

**Part C: Quality of demand forecasting incentive (QDAIR)\(^t\)**

5.6.10 The value of QDAIR\(^t\) is derived in accordance with the table below:

<table>
<thead>
<tr>
<th>DAFIE(^t)</th>
<th>QDAIR(^t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 ≤ DAFIE(^t) ≤ 4.5 + DFA(^t)</td>
<td>1.5</td>
</tr>
<tr>
<td>4.5 + DFA(^t) &lt; DAFIE(^t) &lt; 12.2 + DFA(^t)</td>
<td>3.253 – (0.38961 × (DAFIE(^t) – DFA(^t)))</td>
</tr>
<tr>
<td>12.2 + DFA(^t) ≤ DAFIE(^t)</td>
<td>-1.5</td>
</tr>
</tbody>
</table>

where:

DAFIE\(^t\) is the Day ahead demand forecasting incentivised average forecast error (mcm/d) derived in accordance with paragraph 5.6.11; and

DFA\(^t\) is the Day ahead demand forecasting adjustment (mcm) derived in accordance with paragraph 5.6.12.

5.6.11 The value of DAFIE\(^t\) is derived in accordance with the following formula:

\[
DAFIE\(^t\) = \sum_{d} \left( |DADF_{d} - AD_{d}| \times \frac{AD_{d}}{\sum_{d} AD_{d}} \right)
\]

where:

\[\sum_{d} x\] is the sum of \( x \) for all Days \( d \) of Regulatory Year \( t \); 

DADF\(_d\) is the Day ahead forecast NTS throughput value (mcm) for all Days in Regulatory Year \( t \), published by the licensee (in accordance with the Uniform Network Code) on its website not later than 14:00 hours on the Day preceding Day \( d \) of Regulatory Year \( t \). Where the Day ahead 14:00 forecast NTS throughput value is not published by 14:00 hours on the Day preceding Day \( d \), the next forecast published on the licensee’s website for the Day concerned shall be used; and 

AD\(_d\) is the Actual NTS Throughput value (mcm) on a given Day \( d \), calculated five Days following the Day \( (d+5) \), on each Day of Regulatory Year \( t \).

5.6.12 The value of DFA\(^t\) is derived in accordance with the following formula:

\[
DFA\(^t\) = \min [DFSA\(^t\), 1]
\]

where:

DFSA\(^t\) is the demand forecasting short-cycle storage adjustment derived in accordance with the following formula:

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

Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
\[
DFSA_t = \max \left[ 0, (0.038 \times (AIC_t - AIC_{t-1}) + (DFSA_{t-1} \times DFCl_t)) \right]
\]

where:

- \(DFCl_t\) is the demand forecasting adjustment continuous improvement factor and equals 0.5; and
- \(AIC_t\) is the average annual capability to have gas injected (mcm/d) at Short-Cycle Storage Facilities connected to the NTS and is derived in accordance with the following formula:

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

where:

- \(ASF_{d,t}\) is the aggregate capability of any relevant Short-Cycle Storage Facilities connected to the NTS to have gas injected (in mcm/d) on Day \(d\) of Regulatory Year \(t\) as specified in the Storage Capacity Notice submitted by the relevant Storage Facility operator to the licensee (and updated from time to time) pursuant to the relevant Storage Connection Agreements; and
- \(DIY_t\) is the number of Days in Regulatory Year \(t\).

5.6.13 The licensee must:

(a) publish on its website, and keep up to date, a list of sites that regularly utilise their capability both to withdraw and inject gas into the Short-Cycle Storage Facility on the same Day; and

(b) when the list is updated, send a copy of the updated list to the Authority as soon as reasonably practicable.

5.6.14 The licensee must send a report to the Authority on the activities, projects and investments undertaken by the licensee, and the costs of these actions, in respect of its annual efforts to improve its quality of demand forecasting at a Day ahead:

(a) by 31 July 2022;

(b) within each succeeding period of twelve months; and

(c) in respect of the previous Regulatory Year.

5.6.15 The licensee must record and report to the Authority on its annual performance in delivering two to five days ahead demand forecasts (D-2 to D-5), including the licensee’s D-2 to D-5 annual average forecast error:

(a) by 31 August 2021; and

(b) by 31 July in each subsequent Regulatory Year or by such other date as the Authority may direct.
5.6.16 The two to five days ahead demand forecasting average error (TFDE$_t$) is derived in accordance with the following formula:

$$TFDE_t = \left[ \frac{\sum_{i=2}^{5} AFE_{d-i}}{4} \right]$$

where:

- $\sum_{i=2}^{5} x_{d-i}$ is the sum of $x_{d-i}$ for $i$ from $i = 2$ to $i = 5$ where for $i = 2$ the value of $x_{d-i}$ means the value for two Days ahead of the Day $d$, and for $i = 5$ the value of $x_{d-i}$ means the value for five Days ahead of the Day $d$; and
- $AFE_{d-i}$ is the average forecast error (mcm) as derived in accordance with the following formula:

$$AFE_{d-i} = \sum_{d} \left( |DF_{d-i} - AD_{d}| \times \frac{AD_{d}}{\sum_{d} AD_{d}} \right)$$

For $i = 2, 3, 4$ and $5$, and where:

- $\sum_{d} x$ is the sum of $x$ for all Days $d$ of Regulatory Year $t$; and
- $DF_{d-i}$ is the demand forecast NTS throughput value (mcm) for all Days in Regulatory Year $t$ published by the licensee on its website not later than 16:00 hours at two, three, four and five Days ahead ($d-2, d-3, d-4, d-5$) in respect of each Day of Regulatory Year $t$. Where the two, three, four or five Days ahead 16:00 forecast NTS throughput values are not published by 16:00 hours at two, three, four or five Days ahead ($d-2, d-3, d-4, d-5$) the next forecast published on the licensee’s website for the gas Day concerned shall be used.

**Part D: The greenhouse gas emissions incentive (GHGIR$_t$)**

5.6.17 The value of GHGIR$_t$ is derived in accordance with the following formula:

$$GHGIR_t = \min [1.5, \max (VEP_t, -1.5)]$$

where:

- $VEP_t$ is derived in accordance with paragraph 5.6.18.

5.6.18 The value of $VEP_t$ is derived in accordance with the following formula:

$$VEP_t = \frac{[(VIT_t - VIPM_t) \times VIRP_t]}{1,000,000}$$

where:

- $VIT_t$ is the venting incentive target (in tonnes of natural gas) and equals 2,897;
$VIPM_t$ means the venting incentive performance measure (in tonnes of natural gas) calculated as the aggregate amount of Natural Gas Vented from all Compressors; and

$VIRP_t$ is derived in accordance with paragraph 5.6.19.

5.6.19 The value of $VIRP_t$ (in £/tonne of Natural Gas Vented) is derived in accordance with the following formula:

$$Virp_t = NTC_P_t \times VF_t$$

where:

$VF_t$ is the venting equivalent factor which equals 25;

$NTCP_t$ is the non-traded carbon price (£/tCO2e) as derived in accordance with the following formula:

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

where:

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

$NTMCP_{m,t,y}$ is the latest non-traded central carbon price (£/tCO2e) for month $m$ in Regulatory Year $t$ as published in advance of month $m$ by the Department for Business, Energy and Industrial Strategy (or any other government department from time to time taking on this responsibility) in year $y$ prices; and

$IF_{m,t,y}$ is the inflation factor from year $y$ prices to month $m$ in Regulatory Year $t$ as derived in accordance with the following formula:

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

where:

$AI_t$ is equal to the arithmetic average of the monthly retail prices index numbers for July to December (both inclusive) preceding Regulatory Year $t$; and

$AI_y$ is equal to the arithmetic average of the monthly retail prices index numbers for July to December (both inclusive) preceding year $y$.

Part E: The Greenhouse Gas Emissions Calculation Methodology

5.6.20 The licensee must have in place and maintain a Greenhouse Gas Emissions Calculation Methodology approved by the Authority.

5.6.21 The Greenhouse Gas Emissions Calculation Methodology must:

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
(a) calculate the mass of Natural Gas Vented in accordance with accepted greenhouse gas accounting and auditing principles; and

(b) unless the Authority otherwise consents, be accompanied by a statement from a GHG Independent Examiner confirming that the examiner has examined and verified the methodology, including an assessment whether the methodology is consistent with accepted greenhouse gas accounting and auditing principles.

5.6.22 The licensee must by 31 July 2022, and by 31 July in each subsequent Regulatory Year, send to the Authority:

(a) a statement of the mass (in tonnes) of the Natural Gas Vented calculated in accordance with the Greenhouse Gas Emissions Calculation Methodology, both in respect of the previous Regulatory Year; and

(b) unless the Authority otherwise consents, a statement from a GHG Independent Examiner confirming that the GHG Independent Examiner has carried out an examination to observe whether the mass calculated by the licensee in respect of the previous Regulatory Year in accordance with paragraph (a) has been determined in accordance with the Greenhouse Gas Emissions Calculation Methodology.

5.6.23 The licensee may review, and if appropriate revise, the Greenhouse Gas Emissions Calculation Methodology.

5.6.24 Before commencing a review the licensee must:

(a) notify the Authority;

(b) explain the reasons for the review; and

(c) may not conduct the review if during the period of 28 days beginning with the date of the notification the Authority directs the licensee not to conduct the review.

5.6.25 Before revising the Greenhouse Gas Emissions Calculation Methodology, and during the period of 28 days beginning with the date of completion of a review, the licensee must send to the Authority:

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

(b) a statement of any proposed revisions or modifications to the Greenhouse Gas Emissions Calculation Methodology that the licensee having regard to the outcome of the review reasonably considers would better achieve the principles and criteria set out in paragraph 5.6.21(a); and

(c) a statement from a GHG Independent Examiner giving an opinion as to the extent to which any proposed revisions or modifications outlined by the licensee pursuant to paragraph 5.6.25(b) are consistent with accepted greenhouse gas accounting and auditing principles before 31 July in the Regulatory Year in which the modification is proposed to be effective.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
5.6.26 The Authority will within 56 days of receipt of the report and statements under 5.6.25:
(a) approve the revisions proposed by the licensee;
(b) reject the proposed revisions; or
(c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

5.6.27 Where the Authority takes no action under 5.6.26 the licensee may treat the revisions as approved by the Authority.

Part F: The Maintenance incentive (MIR$_t$)

5.6.28 The value of MIR$_t$ is derived in accordance with the following formula:

$$MIR_t = MCIR_t + MDI_t + MDIRV_t$$

where:

- $MCIR_t$ is the Maintenance change incentive revenue and is derived in accordance with paragraph 5.6.29;
- $MDI_t$ is the Maintenance Days incentive revenue for work excluding Valve Operations term and is derived in accordance with paragraph 5.6.31; and
- $MDIRV_t$ is the Maintenance Days incentive revenue for Valve Operations term and is derived in accordance with paragraph 5.6.33.

5.6.29 The value of $MCIR_t$ is derived in accordance with the following formula:

If $MCICD_t \leq MCITD_t$, then:

$$MCIR_t = 0$$

otherwise:

$$MCIR_t = max \left[ MCIPM_t \times 0.05, -0.5 \right]$$

5.6.30 The value of $MCIPM_t$ (the Maintenance change performance measure term) is derived in accordance with the following formula:

$$MCIPM_t = MCITD_t - MCICD_t$$

where:

- $MCICD_t$ is the total number of actual Maintenance Change Days for Regulatory Year $t$; and
- $MCITD_t$ is the Maintenance change incentive target in Days, as derived in accordance with the following formula:

$$MCITD_t = 0.0725 \times MW_t$$

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
$MW_t$ is the Maintenance Workload, in Days for Regulatory Year $t$.

5.6.31 The value of $MDI_t$ is derived in accordance with the following formulas:
If $MDA_t \geq MADT_t$ then:

$$MDI_t = \min\{0.5, MDINP_t \times 0.05\}$$

otherwise:

$$MDI_t = \max\{MDINP_t \times 0.05, -0.5\}$$

5.6.32 The value of $MDINP_t$ (the Maintenance Days incentive performance measure for work excluding Valve Operations term) is derived in accordance with the following formula:

$$MDINP_t = MDA_t - MADT_t$$

where:

$MDA_t$ is the number of Advice Notice Days that excludes Valve Operations in Regulatory Year $t$;

$MADT_t$ is the Advice Notice Day target, excluding Valve Operations, as derived in accordance with the following formula:

$$MADT_t = 0.75 \times TQM_t,$$

and

$TQM_t$ is the total quantity of Customer Impacting Work in Days $d$ in respect of customers who are offtaking from the NTS, excluding Valve Operations and as derived in accordance with the licensee’s Maintenance Plan for Regulatory Year $t$.

5.6.33 The value of $MDIRV_t$ (the Maintenance Days incentive revenue for Valve Operations, £m) is derived in accordance with the following formula:
If $MDV_t \leq 10$, then:

$$MDIRV_t = 0$$

otherwise:

$$MDIRV_t = \max\{MPMV_t \times 0.02, -0.5\}$$

5.6.34 $MPMV_t$ (the Maintenance Days performance measure for Valve Operations work, in Days) is derived in accordance with the following formula:

$$MPMV_t = MDT_t - MDV_t$$

where:

$MDT_t$ is the target number of Maintenance Plan Days, other than Advice Notice Days, in respect of Valve Operations, which has the value 11 (unless otherwise directed by the Authority following notification to it by the licensee of a change made to Maintenance and operational policy to
comply with new or revised safety regulations, including the Pipeline Safety Regulations 1996 (S.I. 1996/825); and

\[ M_{DV_t} \] is the total number of Maintenance Plan Days, other than Advice Notice Days, on which the licensee has undertaken Maintenance in respect of Valve Operations in Regulatory Year \( t \).

**Part G: Maintenance and operational planning**

5.6.35 The licensee must use reasonable endeavours to communicate its Maintenance Plan, covering a three year period, to Maintenance Relevant Parties who may be affected by planned Maintenance as soon as is reasonably practicable.

5.6.36 The licensee must give adequate publicity of its Maintenance Plan to industry parties who are not likely to be affected by planned Maintenance as soon as is reasonably practicable.

5.6.37 The licensee must update its Maintenance Plan at least once in each Regulatory Year.

5.6.38 The licensee must include in its Maintenance Plan:

(a) the type of work the licensee intends to carry out and the reasons for carrying out the work;

(b) the location of the work the licensee intends to carry out;

(c) an indication of the impact of any work identified on Maintenance Relevant Parties (for example in relation to a requirement for a reduced flow, steady flow or total cessation of the flow of gas);

(d) an indication of the dates upon which any work identified will take place; and

(e) an indication of the duration of the work identified (number of hours or Days).

5.6.39 The licensee's communications under this condition must, as far as is practicable, include the publication of Maintenance requirements on the licensee's website and include the appropriate contact details for the licensee.

5.6.40 For the avoidance of doubt, this condition does not require the licensee to provide any information that, in the opinion of the licensee, may be commercially sensitive or confidential, or which it would, but for the application of this condition, not be entitled to disclose as a result of the application of section 105 of the Utilities Act 2000 (general restrictions on disclosure of information).

5.6.41 The licensee must use reasonable endeavours to agree all changes to its Maintenance Plan with any Maintenance Relevant Parties who may be affected by the Maintenance set out in the Maintenance Plan.

5.6.42 The licensee must use reasonable endeavours to ensure all Maintenance Relevant Parties are aware of the Minor Works Agreement.

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
5.6.43 By 1 June 2022, and by 1 June in each subsequent Regulatory Year, the licensee must publish a report on its website that:

(a) summarises the Maintenance that it undertook in the previous Regulatory Year, and

(b) details the changes made to its Maintenance Plan in respect of the previous Regulatory Year.

5.6.44 In relation to obligations to report on the length of both Short ILI and Long ILI, the licensee must publish an ILI Report in respect of the preceding Regulatory Year.

5.6.45 The report required by paragraph 5.6.44 must be published by 1 August 2022 and by 1 August in each subsequent Regulatory Year.

5.6.46 The Authority may, by direction, require a report referred to in paragraphs 5.6.43 or 5.6.44 to be published before the dates set out in paragraphs 5.6.43 and 5.6.45 respectively in each Regulatory Year or at other specified times.

Part H: Procurement of Operating Margins

5.6.47 The licensee must use reasonable endeavours to procure its Operating Margins Requirements in an economic and efficient manner and to promote competition in the provision of Operating Margins to the licensee.

5.6.48 To meet its obligations pursuant to paragraph 5.6.47, the licensee must, wherever the licensee considers it is appropriate to do so, consult with OM Interested Parties on the actions it proposes to take to procure Operating Margins and to promote competition in the provision of Operating Margins.

5.6.49 The licensee must:

(a) provide to the Authority an Operating Margins Report; and

(b) publish a non-confidential version of the Operating Margins Report on its website.

5.6.50 The Operating Margins Report must be provided and published:

(a) by 31 August 2021;

(b) by 31 August in each subsequent Regulatory Year; and

(c) unless the Authority otherwise directs.

5.6.51 The Operating Margins Report must set out:

(a) for the Operating Margins Report provided in respect of the Storage Year ending on 30 April and each Operating Margins Report provided thereafter, the actions the licensee has taken pursuant to its obligations under this condition during the previous Storage Year;

(b) the actions the licensee has taken pursuant to its obligations under this condition in the current Storage Year;
(c) details of the Operating Margins services it has procured for the current Storage Year;
(d) a summary of the purchasing activities and exchange trades the licensee has taken during the previous and current Storage Years; and
(e) any such data or information related to Operating Margins that the Authority may reasonably request.

Part I: System costs

5.6.52 The value of $SC_t$ is derived in accordance with the following formula:

$$SC_t = \sum_{q} \left[ GC_{t,q} + ECC_{t,q} \right]$$

where:

$\sum_{q} x$ is the sum of $x$ over all Relevant Quarter Years $q$ in the Regulatory Year $t$;

$GC_{t,q}$ is the total costs incurred by the licensee less any revenues received from third parties in respect of Relevant Quarter Year $q$ in Regulatory Year $t$ in the management of NTS Shrinkage, excluding payments under $ECC_{t,q}$; and

$ECC_{t,q}$ is the total costs incurred by the licensee in respect of Relevant Quarter Year $q$ in Regulatory Year $t$ in procuring electricity for the purposes of operating Electric Compressors.

Part J: Requirement to undertake work to investigate the causes of UAG and CVS

5.6.53 The licensee must use reasonable endeavours to undertake UAG Projects and compile a CVS Statement for the purposes of investigating the causes of UAG and CVS for each Regulatory Year.

5.6.54 The licensee must, unless the Authority otherwise directs, publish the UAGCVS Reports and provide a copy to the Authority by 1 May and 1 November in each Regulatory Year for the preceding six month period ending on 31 March and 30 September respectively.

5.6.55 The licensee must outline in the UAGCVS Report:

(a) the UAG Projects the licensee has undertaken in the previous period;
(b) the UAG Projects the licensee proposes to undertake in the next period and its views on whether, and if so how, the findings of the UAG Projects may be taken forward in order to reduce the volume of UAG;
(c) the reasons why any UAG Projects that the licensee proposed to undertake have not been undertaken during the Regulatory Year;
(d) a CVS Statement outlining the work conducted during the previous period to investigate CVS, and explaining the licensee’s understanding of the causes of CVS;

(e) any additional activities and inspections undertaken by the licensee to improve metering calibration and accuracy;

(f) a summary of any relevant discussions concerning UAG or CVS at industry fora and with interested parties on a one-to-one basis; and

(g) any data or information related to UAG or CVS that the Authority may reasonably request.

5.6.56 During the period of 28 days beginning with the date of publication of a UAGCVS Report the licensee must, unless the Authority otherwise consents, publish on its website all the relevant data referred to in the UAGCVS Report.

Part K: Management of NTS Shrinkage Costs

5.6.57 The licensee must, by 1 June 2021, have in place a Gas Volumes Methodology, which will remain in place for each Regulatory Year except if modified in accordance with 5.6.59, detailing the calculations by which the licensee determines:

(a) seasonal forecast gas volumes;
(b) quarter forecast volumes;
(c) the prompt daily volumes to be bought and sold; and
(d) the costs to apply to the volumes referred to in sub-paragraphs 5.6.57(a) to (c).

5.6.58 The licensee must use reasonable endeavours to publish the Gas Volumes Methodology on its website on or before 1 July 2021, and by the commencement of each subsequent Regulatory Year on 1 April.

5.6.59 The licensee may modify the Gas Volumes Methodology in agreement with the Authority.

5.6.60 The licensee must, unless the Authority otherwise consents, by 31 July 2022 and once by 31 July in each subsequent Regulatory Year, provide to the Authority a Shrinkage Procurement Report, which outlines in respect of the previous Regulatory Year:

(a) best case scenario NTS Shrinkage costs, excluding costs in procuring electricity;
(b) worst case scenario NTS Shrinkage costs, excluding costs in procuring electricity;
(c) average NTS Shrinkage costs, excluding costs in procuring electricity;
(d) actual NTS Shrinkage costs incurred by the licensee, excluding costs in procuring electricity; and

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
(e) actual NTS Shrinkage costs for procuring electricity incurred by the licensee;
and which provides any further explanation or elaboration of the licensee’s NTS Shrinkage costs that will be set out in the RIGs issued by the Authority under Standard Special Condition A40 (Regulatory Instructions and Guidance).

**Part L: The NTS Shrinkage Review**

5.6.61 In the Regulatory Year commencing on 1 April 2023, the Authority may review the licensee’s management of NTS Shrinkage, including the costs incurred by the licensee as part of this activity.

5.6.62 The review may also include, but not be limited to, review of Parts I, J and K.

5.6.63 Before commencing any review the Authority will discuss the intent and scope of the review with the licensee before 1 June 2023, including the timescale for undertaking such a review.

5.6.64 Upon completion of the review, the Authority will set out any further steps which it considers appropriate in relation to the licensee’s management of NTS Shrinkage.
Chapter 6: Pass-through expenditure

Special Condition 6.1 Transportation owner pass-through items (PT_t)

Introduction

6.1.1 The purpose of this condition is to calculate the term PT_t (the transportation owner allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

6.1.2 The effect of this condition is to ensure that the licensee’s Allowed Revenue reflects that certain costs can be passed through to customers.

Part A: Formula for calculating the transportation owner allowed pass-through term (PT_t)

6.1.3 The value of PT_t is derived in accordance with the following formula:

\[ PT_t = RB_t + LF_t + EDE_t + BD_t + OPTC_t + IS_t + PTV_t + Hy_t + NZPS_t \]

where:

- \( RB_t \) means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B;
- \( LF_t \) means the payments made by the licensee in respect of the NTS Transportation Owner Activity under Standard Condition 3 (Payments by the Licensee to the Authority);
- \( EDE_t \) means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year that relate to NTS Transportation Owner Activity, as further explained and elaborated upon in the GT2 Price Control Financial Handbook;
- \( BD_t \) is derived in accordance with Part C;
- \( OPTC_t \) means the payments made by the licensee to the Secretary of State in respect of Policing Costs;
- \( IS_t \) is derived in accordance with paragraph 6.2.3 of Special Condition 6.2 (Gas conveyed to Independent Systems);
- \( PTV_t \) means the PARCA Termination Value and has the value zero unless directed in accordance with Part D;
- \( Hy_t \) is derived in accordance with Part E; and
- \( NZPS_t \) is derived in accordance with Part F.

Part B: Review of Prescribed Rates pass-through term (RB_t)

6.1.4 As part of any periodic revaluation, the licensee must:

- (a) engage with the Relevant Valuation Agency; and
(b) use reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.

6.1.5 The Authority will review the licensee’s engagement with the Relevant Valuation Agency with respect to a revaluation.

6.1.6 If, after reviewing the licensee’s engagement with the Relevant Valuation Agency and requesting any further information required from the licensee with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority will adjust the value of RB, by direction.

Part C: Formula for calculating the Bad Debt term ($BD_t$)

6.1.7 The value of $BD_t$ is derived in accordance with the following formula:

$$BD_t = BDA_t - RBD_t$$

where:

- **$BDA_t$** means the aggregate value of Bad Debt the licensee has incurred or expects to incur, inclusive of RIIO-GT1 Bad Debt and COVID-19 Transportation Owner Bad Debt, with respect to NTS Transportation Owner Charges owed to the licensee by one or more Defaulting Gas Shippers, less the interest income accrued at the default rate set out in the Uniform Network Code net of WACC with respect to the COVID-19 Scheme; and

- **$RBD_t$** means the aggregate value of Bad Debt previously recovered, inclusive of RIIO-GT1 Bad Debt and COVID-19 Transportation Owner Bad Debt, by the licensee via the $BDA_t$ term, where the licensee has received cash through either the Defaulting Gas Shipper or been credited by the administrator or liquidator of a Defaulting Gas Shipper.

Part D: Review PARCA Termination Value pass-through term ($PTV_t$)

6.1.8 If the licensee intends to pass-through a PARCA Termination Value, the licensee must send a notice to the Authority setting out the PARCA Termination Costs and the PARCA Termination Amounts received from PARCA Applicants.

6.1.9 If, after reviewing the licensee’s notice under paragraph 6.1.8, the Authority agrees with the PARCA Termination Value it will direct the value for $PTV_t$ accordingly. If the Authority considers that an alternative adjustment should be made to the $PTV_t$ term, the Authority will direct another value for $PTV_t$.

Part E: Adjustment for Cadent Gas Limited’s Hynet FEED study ($H_{yt}$)

6.1.10 The value of $H_{yt}$ is derived in accordance with the following formula:

$$H_{yt} = CADENT_{t} - ALT_{t}$$

where:
6.1.11 The licensee must pay to Cadent Gas Limited the value of $H_t$ divided equally on a quarterly basis for the relevant Regulatory Year.

**Part F: Adjustment for the Distribution Networks’ Net Zero Pre-construction Work and Small Net Zero Projects Re-opener ($NZPS_t$)**

6.1.12 The value of $NZPS_t$ is set out in Appendix 2.

6.1.13 The licensee must pay the relevant Distribution Network the amounts specified in Appendix 2 divided equally on a quarterly basis for the relevant Regulatory Year, or in such other instalments as agreed between the licensee and the relevant Distribution Network.

6.1.14 The Authority may amend Appendix 2 by direction, as a result of an application under Special Condition 3.9 (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener) of a Distribution Network’s licence, after consulting with the licensee and the relevant Distribution Network.

**Appendix 1**

Payments related to Cadent’s Hynet FEED study (£m)

<table>
<thead>
<tr>
<th>Licensee/Regulatory Year</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
<th>2025/26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cadent Gas Limited</td>
<td>4.05</td>
<td>4.05</td>
<td>4.05</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Appendix 2**

Payments to Distribution Networks for Net Zero Pre-construction Work and Small Net Zero Projects (£m)

<table>
<thead>
<tr>
<th>Distribution Network/Regulatory Year</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
<th>2025/26</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Special Condition 6.2 Gas conveyed to Independent Systems ($IS_t$)**

**Introduction**

6.2.1 The purpose of this condition is to calculate the term $IS_t$ (the Independent Systems terms), which feeds into $PT_t$ (the allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

6.2.2 This condition also requires the licensee to recover the costs of connecting Independent Systems from Gas Shippers and then pay those amounts to DN...
Operators and Relevant Shippers, with any difference between amounts recovered and passed through to consumers.

**Part A: Formula for calculating the Independent Systems term (ISₜ)**

6.2.3 The value of ISₜ is derived in accordance with the following formula:

\[ ISₜ = (BPDₜ + ACPSₜ + ACPWₜ) \times \frac{PI_{2018/19}}{PIₜ} \]

where:

- \( BPDₜ \) is the Bulk Price Differential in nominal prices;
- \( ACPSₜ \) is the amount the licensee must pay to Scotland Gas Networks plc under paragraph 6.2.5;
- \( ACPWₜ \) is the amount the licensee must pay to Wales & West Utilities Limited under paragraph 6.2.5; and
- \( PIₜ \) means the price index term derived in accordance with Part F of Special Condition 2.1.

**Part B: Requirements relating to the Bulk Price Differential (BPDₜ)**

6.2.4 The licensee must, in respect of each Independent System, pay to the Relevant Shipper the Bulk Price Differential divided equally on a quarterly basis for the relevant Regulatory Year or on such other basis as may be agreed with the Relevant Shipper.

**Part C: Requirements relating to DN Operators**

6.2.5 The licensee must pay to Scotland Gas Networks plc the amount derived in accordance with the following formula, divided equally on a quarterly basis for the relevant Regulatory Year or on such other basis as may be agreed with Scotland Gas Networks plc:

\[ ACPSₜ = SGNACPₜ \times \frac{PI_{t}^*}{PI_{2018/19}} \]

where:

- \( SGNACPₜ \) means the amount in Appendix 1 relating to Scotland Gas Networks plc;
- \( PI_{t}^* \) means the forecast price index term published by the Authority pursuant to Part A of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the end of Regulatory Year t-1; and
- \( PI_{2018/19} \) means the price index term for the regulatory year 2018/19 derived in accordance with Part F of Special Condition 2.1.

6.2.6 The licensee must pay to Wales & West Utilities Limited the amount derived in accordance with the following formula, divided equally on a quarterly basis for
the relevant Regulatory Year or on such other basis as may be agreed with Wales & West Utilities Limited:

\[ ACPW_t = WWUACP_t \times \frac{PI_t^*}{PI_{2018/19}} \]

where:

- \( WWUACP_t \) means the amount in Appendix 1 relating to Wales & West Utilities Limited;
- \( PI_t^* \) means the forecast price index term published by the Authority pursuant to Part A of Special Condition 8.2 prior to the end of Regulatory Year \( t-1 \); and
- \( PI_{2018-19} \) means the price index term for the regulatory year 2018/19 derived in accordance with Part F of Special Condition 2.1.

**Part D: Recovery and reporting of costs by the licensee**

6.2.7 The licensee must use reasonable endeavours to recover an amount equal to \( IS_t \) from Gas Shippers in the Regulatory Year in which BPD\(_t\), ACPS\(_t\) and ACPW\(_t\) are paid.

6.2.8 The licensee must by 31 July in each Regulatory Year submit to the Authority a statement that sets out:

(a) each of the Bulk Price Differential payments made by the licensee to Relevant Shippers in the previous Regulatory Year pursuant to paragraph 6.2.4; and

(b) each of the payments made by the licensee to DN Operators in the previous Regulatory Year pursuant to paragraph 6.2.5.

6.2.9 The statement sent under paragraph 6.2.7 must be in such form, and provide such detail, as the Authority may direct.

**Appendix 1**

**Additional costs of serving the customers connected to those Independent Systems operated by the relevant DN Operator (£m)**

<table>
<thead>
<tr>
<th>DN Operator / Regulatory Year</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
<th>2025/26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scotland Gas Networks plc (SGNACP(_P))</td>
<td>6.64</td>
<td>6.56</td>
<td>6.51</td>
<td>6.58</td>
<td>6.45</td>
</tr>
<tr>
<td>Wales &amp; West Utilities Limited (WWUACP(_P))</td>
<td>0.10</td>
<td>0.10</td>
<td>0.10</td>
<td>0.10</td>
<td>0.10</td>
</tr>
</tbody>
</table>

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Special Condition 6.3 System operator pass-through items (SOPT<sub>t</sub>)

Introduction

6.3.1 The purpose of this condition is to calculate the term SOPT<sub>t</sub> (the system operator allowed pass-through term). This feeds into SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).

6.3.2 The effect of this condition is to ensure that the licensee’s SO Allowed Revenue reflects that certain costs can be passed through to customers.

Part A: Formula for calculating the system operator allowed pass-through term (SOPT<sub>t</sub>)

6.3.3 The SOPT<sub>t</sub> term is derived in accordance with the following formula:

\[
SOPT_t = CDSP_t + SOEDE_t + SOBD_t
\]

where:

- \(CDSP_t\) means CDSP Costs, excluding costs incurred in relation to UK Link Gemini;
- \(SOEDE_t\) means the payments in relation to the Pension Scheme Established Deficit repair expenditure that relate to NTS System Operation Activity; and
- \(SOBD_t\) is derived in accordance with Part B.

Part B: Formula for calculating the System Operator Bad Debt term (SOBD<sub>t</sub>)

6.3.4 The value of SOBD<sub>t</sub> is derived in accordance with the following formula:

\[
SOBD_t = SOBDA_t - SORBD_t
\]

where:

- \(SOBDA_t\) means the aggregate value of SO Bad Debt the licensee has incurred or expects to incur, inclusive of RIIO-GT1 SO Bad Debt and COVID-19 System Operator Bad Debt, with respect to NTS System Operation Charges owed to the licensee by one or more Defaulting Gas Shippers, less the interest income accrued at the default rate set out in the Uniform Network Code net of WACC with respect to the COVID-19 Scheme; and
- \(SORBD_t\) means the aggregate value of SO Bad Debt previously recovered, inclusive of RIIO-GT1 SO Bad Debt and COVID-19 System Operator Bad Debt, by the licensee via the SOBDA<sub>t</sub> term, where the licensee has been credited by the administrator or liquidator of a Defaulting Gas Shipper.
Chapter 7: Legacy adjustments

Special Condition 7.1 Transportation owner legacy adjustments (LAR_t)

Introduction

7.1.1 The purpose of this condition is to calculate the term LAR_t (the transportation owner legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.1.2 The value of LAR_t and its components are in nominal prices.

Part A: Formula for calculating the transportation owner legacy adjustments (LAR_t)

7.1.3 The value of the LAR_t term is derived in accordance with the following formula:

\[ LAR_t = LPT_t + LMOD_t + LK_t + LTRU_t + NOCO_t + NICF_t + SSCO_t \]

where:

- \( LPT_t \) is derived in accordance with Special Condition 7.2 (Transportation owner legacy pass-through);
- \( LMOD_t \) is derived in accordance with Special Condition 7.3 (Transportation owner legacy MOD);
- \( LK_t \) is derived in accordance with Special Condition 7.4 (Transportation owner legacy K correction);
- \( LTRU_t \) is derived in accordance with Special Condition 7.5 (Transportation owner legacy TRU term);
- \( NOCO_t \) is derived in accordance with Special Condition 7.6 (Close out of the RIIO-1 Network Outputs);
- \( NICF_t \) is derived in accordance with Special Condition 7.7 (RIIO-GT1 network innovation competition); and
- \( SSCO_t \) is derived in accordance with Special Condition 7.8 (Close out of the RIIO-GT1 stakeholder satisfaction output).

Special Condition 7.2 Transportation owner legacy pass-through (LPT_t)

Introduction

7.2.1 The purpose of this condition is to calculate the term LPT_t (the transportation owner legacy pass-through term). This contributes to the calculation of the LAR_t (the transportation owner legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
7.2.2 The effect of this condition is to close out the RIIO-GT1 allowed pass-through term such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects pass-through item adjustments relating to the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

**Part A: Formula for calculating the transportation owner legacy pass-through term (LPT*)**

7.2.3 For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LPT* is derived in accordance with the following formula:

\[ LPT_* = LRB_* + LLF_* + LOPTC_* \]

where

- \( LRB_* \) has the value of RB* as determined in accordance with Part B of Special Condition 2B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021;
- \( LLF_* \) has the value of LF* as determined in accordance with Part C of Special Condition 2B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021; and
- \( LOPTC_* \) has the value of OPTC* as determined in accordance with Part D of Special Condition 2B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021.

7.2.4 The value of LPT* for Regulatory Years commencing on or after 1 April 2023 is zero.

**Special Condition 7.3 Transportation owner legacy MOD (LMOD*)**

**Introduction**

7.3.1 The purpose of this condition is to set out the process the Authority will follow when directing values for LMOD* (the transportation owner legacy MOD term). This contributes to the calculation of the term LAR* (the transportation owner legacy adjustments term), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.3.2 The effect of this condition is to reflect the close out of the GT1 Price Control Financial Model.

**Part A: Authority Assessment and direction**

7.3.3 The value of LMOD* is derived in accordance with the following formula:

\[ LMOD_* = MOD_* \times RPIF_* \]

where:

- \( MOD_* \) has the value directed by the Authority coinciding with the Annual Iteration Process, related to revisions to the GT1 Price Control

Note: Consolidated conditions are not formal Public Register documents and should not be relied on. Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Financial Model, performed in accordance with Chapter 8 (legacy) of the GT2 Price Control Financial Handbook; and

\[ RPIF_t \] has the value of \( RPIF_t \) derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

7.3.4 Before making a direction under paragraph 7.3.3 the Authority will publish on the Authority’s Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 7.4 Transportation owner legacy K correction (\( LK_t \))

Introduction

7.4.1 The purpose of this condition is to calculate the term \( LK_t \) (the transportation owner legacy correction term). This contributes to the calculation of the term \( LAR_t \) (the transportation owner legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.4.2 The effect of this condition is to close out the RIIO-GT1 correction term such that revenue in the Regulatory Year commencing on 1 April 2021 reflects the correction value relating to the Regulatory Year commencing on 1 April 2019.

Part A: Formula for calculating the legacy correction term (\( LK_t \))

7.4.3 For the Regulatory Year commencing on 1 April 2021 the value of \( LK_t \) is derived in accordance with the following formula:

\[
LK_t = -K_t
\]

where:

\( K_t \) has the value of \( K_t \) as determined in accordance with Part F of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

7.4.4 The value of \( LK_t \) for the Regulatory Years commencing on or after 1 April 2022 is zero.
Special Condition 7.5 Transportation owner legacy TRU term (LTRUₜ)

Introduction

7.5.1 The purpose of this condition is to calculate the term LTRUₜ (the transportation owner legacy TRU term). This contributes to the calculation of the term LARₜ (the transportation owner legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.5.2 The effect of this condition is to close out the RIIO-GT1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 to 1 April 2024 reflects TRU adjustments relating to Regulatory Years commencing on 1 April 2017 to 1 April 2020 respectively.

Part A: Formula for calculating the transportation owner legacy TRU term (LTRUₜ)

7.5.3 For the Regulatory Years commencing on 1 April 2021 to 1 April 2024, the value of LTRUₜ is derived in accordance with the following formula:

\[ LTRUₜ = TRUₜ \cdot RPIFₜ \]

where:

\( TRUₜ \) is derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021; and

\( RPIFₜ \) is derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

7.5.4 The value of LTRUₜ for Regulatory Years commencing on or after 1 April 2025 is zero.

Special Condition 7.6 Close out of the RIIO-1 Network Outputs (NOCOᵢ)

Introduction

7.6.1 The purpose of this condition is to set out the process for deciding the term NOCOᵢ (the RIIO-1 Network Outputs close out term). This contributes to the calculation of the LARᵢ term (the legacy adjustment term), which in turns feeds into Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.6.2 The effect of this condition is to adjust the licensee’s revenue to reflect its RIIO-1 Network Outputs delivery.
Part A: RIIO-1 Network Outputs information to be provided by the licensee

7.6.3 By 31 July 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:

(a) any RIIO-1 Network Output in accordance with the relevant specifications; and
(b) any RIIO-1 Materially Equivalent Outputs.

7.6.4 By 1 December 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:

(a) any RIIO-1 Justified Material Over-delivery; or
(b) any RIIO-1 Justified Material Under-delivery.

Part B: Process for modifying the NOMs Incentive Methodology

7.6.5 The Authority will modify the NOMs Incentive Methodology by direction.

7.6.6 Before making a direction under paragraph 7.6.5, the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

Part C: Process for directing the RIIO-1 Network Outputs term (NOCO₁)

7.6.7 The Authority will assess the licensee’s RIIO-1 Network Outputs delivery in accordance with the principles in Appendix 1, which are further clarified and supplemented by the NOMs Incentive Methodology.

7.6.8 Before directing the value of NOCO₁ the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;
(b) the reasons why it proposes to issue the direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 56 days.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Appendix 1

Treatment of under-delivery and over-delivery of RIIO-1 Network Outputs

<table>
<thead>
<tr>
<th>Incentives</th>
<th>Justified</th>
<th>Unjustified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over-delivery</td>
<td>Cost of over-delivery will be included in the licensee’s revenue.</td>
<td>Cost of over-delivery will be included in the licensee’s revenue.</td>
</tr>
<tr>
<td></td>
<td>The financing cost incurred by the licensee in advancing investment will</td>
<td>The licensee will incur the financing cost of earlier investment.</td>
</tr>
<tr>
<td></td>
<td>be reimbursed. Reward of 2.5 per cent of the additional costs associated</td>
<td></td>
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<tr>
<td></td>
<td>with the material over-delivery.</td>
<td></td>
</tr>
<tr>
<td>Under-delivery</td>
<td>Cost of under-delivery will be excluded from the licensee’s revenue.</td>
<td>Cost of under-delivery will be excluded from the licensee’s revenue.</td>
</tr>
<tr>
<td></td>
<td>The licensee will benefit from the financing cost of delayed investment.</td>
<td>The benefit arising to the licensee from the financing cost of delayed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>investment will be clawed back. PENALTY OF 2.5 PER CENT OF THE AVOIDED</td>
</tr>
<tr>
<td></td>
<td></td>
<td>COSTS ASSOCIATED WITH THE MATERIAL UNDER-DELIVERY.</td>
</tr>
</tbody>
</table>

Special Condition 7.7 RIIO-GT1 network innovation competition (NICF₁)

Introduction

7.7.1 The purpose of this condition is to set out the process for deciding the term NICF₁ (the network innovation competition term). This contributes to the calculation of the LAR₁ term (the transportation owner legacy adjustment term), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.7.2 The NIC ran during the RIIO-GT1 price control period to fund innovative low carbon or environmental projects. Although it will no longer run for the licensee from 1 April 2021, this condition makes provision for arrangements that will enable the Authority to determine the value of NICF₁ and for arrangements relating to the governance and administration of the NIC Funding.

7.7.3 Parts A and B are supplemented by the relevant provisions of the NIC Governance Document.
Part A: The Funding Return Mechanism

7.7.4 The Authority may direct how the Returned Project Revenues should be paid to customers through the Funding Return Mechanism, or where the Authority considers it appropriate, how they should be retained by the licensee.

Part B: The network innovation competition term (NICFi)

7.7.5 In each Regulatory Year, in accordance with the appropriate provisions set out in the NIC Governance Document, the Authority will calculate, and then by direction given to the licensee, specify:

(a) the value of NICFi for the licensee;
(b) the net amounts that are to be transferred between the licensee and other Gas Transporter Licensees in order to ensure that each Gas Transporter Licensee receives an amount (if any) equal to the proportion of the NIC Funding for Regulatory Year t that is attributable to its Eligible NIC Projects (adjusted to take into account the amount of any Funding Return); and
(c) the manner in which, and the timescale over which, the net amounts referred to in sub paragraph (b) are to be transferred.

Part C: The NIC Governance Document

7.7.6 The licensee must comply with the NIC Governance Document.

7.7.7 The Authority will amend the NIC Governance Document by direction.

7.7.8 The Authority will publish the NIC Governance Document on the Authority's Website.

7.7.9 The NIC Governance Document makes and will continue to make provision about:

(a) the process and procedures that will be in place for the assessment, approval and financing of project funding (where necessary);
(b) arrangements to ensure that relevant matters the licensee has learned from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees;
(c) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the NIC Governance Document);
(d) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
(e) any other matters relating to the governance of the NIC.
Part D: Procedure for revising the NIC Governance Document

7.7.10 Before amending the NIC Governance Document by direction, the Authority will publish on the Authority’s Website:

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

Special Condition 7.8 Close out of the RIIO-GT1 stakeholder satisfaction output (SSCO₁)

Introduction

7.8.1 The purpose of this condition is to provide for the value of the term SSCO₁ (the RIIO-GT1 stakeholder satisfaction output close out term). This contributes to the calculation of the term LARt (the transportation owner legacy adjustments term), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.8.2 The effect of this condition is to close out the RIIO-GT1 stakeholder satisfaction output, such that revenue in the Regulatory Years commencing 1 April 2021 and 1 April 2022 reflects the licensee’s performance in relation to that output in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-T1 stakeholder satisfaction output close out term (SSCO₁)

7.8.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022 the value of SSCO₁ has the value of the SSO₁ term derived in accordance with Part A of Special Condition 2C (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021.

7.8.4 This value of SSCO₁ for the Regulatory Years commencing on or after 1 April 2023 is zero.

Part B: Amendment to the Stakeholder Engagement Reward Guidance

7.8.5 The Authority will amend the Stakeholder Engagement Reward Guidance by direction.

7.8.6 Before amending the Stakeholder Engagement Reward Guidance by direction, the Authority will publish on the Authority’s Website:

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

Special Condition 7.9 Legacy net RAV additions (LRAVₜ)

Introduction

7.9.1 This condition explains the process the Authority will follow when directing values for the term LRAVₜ (the legacy RIIO-1 net RAV additions term). This contributes to the calculation of the term DPNₜ (the depreciation term as calculated by the GT2 Price Control Financial Model), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.9.2 The effect is to reflect the close out of the RIIO-GT1 Price Control Financial Model, in respect of legacy net RAV additions.

Part A: Authority assessment and direction

7.9.3 The Authority will direct revisions to LRAVₜ, coinciding with the Annual Iteration Process.

7.9.4 Before making a direction under paragraph 7.9.3 the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 7.10 System operator legacy adjustments (SOLARₜ)

Introduction

7.10.1 The purpose of this condition is to calculate the term SOLARₜ (the SO legacy adjustments term), which in turn feeds into SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

Part A: Formula for calculating the SO legacy adjustments term (SOLARₜ)

7.10.2 The value of the SOLARₜ term is derived in accordance with the following formula:

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
\[ \text{SOLAR}_t = \text{SOLMOD}_t + \text{SOLK}_t + \text{SOLTRU}_t + \text{LCMCA}_t + \text{LCMIR}_t + \text{LTSS}_t \]

where:

- \( \text{SOLMOD}_t \) is derived in accordance with Special Condition 7.11 (System operator legacy MOD);
- \( \text{SOLK}_t \) is derived in accordance with Special Condition 7.12 (System operator legacy K correction);
- \( \text{SOLTRU}_t \) is derived in accordance with Special Condition 7.13 (System operator legacy TRU term);
- \( \text{LCMCA}_t \) is derived in accordance with Special Condition 7.15 (Close out of the RIIO-GT1 Constraint Management cost adjustment);
- \( \text{LCMIR}_t \) is derived in accordance with Special Condition 7.14 (Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue); and
- \( \text{LTSS}_t \) is derived in accordance with Special Condition 7.16 (Close out of the RIIO-GT1 Transportation Support Services cost adjustment).

**Special Condition 7.11 System operator legacy MOD (SOLMOD\(_t\))**

**Introduction**

7.11.1 The purpose of this condition is to set out the process the Authority will follow when directing values for the term SOLMOD\(_t\) (the system operator legacy MOD term). This contributes to the calculation of the term SOLAR\(_t\) (the system operator legacy adjustments term), which in turn feeds into the SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.11.2 The effect of this condition is to reflect the close out of the GT1 Price Control Financial Model.

**Part A: Authority Assessment and direction**

7.11.3 The value of SOLMOD\(_t\) is derived in accordance with the following formula:

\[ \text{SOLMOD}_t = \text{SOMOD}_t \times \text{RPIF}_t \]

where:

- \( \text{SOMOD}_t \) has the value directed by the Authority coinciding with the Annual Iteration Process, related to revisions to the GT1 Price Control Financial Model, performed in accordance with Chapter 8 (legacy) of the GT2 Price Control Financial Handbook; and
- \( \text{RPIF}_t \) has the value of RPIF\(_t\) derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

7.11.4 Before making a direction under paragraph 7.11.4 the Authority will publish on the Authority's Website:

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

Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
(a) the text of the proposed direction;
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed
direction, which will not be less than 28 days.

Special Condition 7.12 System operator legacy K correction (SOLK\(_t\))

Introduction

7.12.1 The purpose of this condition is to calculate the term SOLK\(_t\) (the system operator legacy correction term). This contributes to the calculation of the term SOLAR\(_t\) (the system operator legacy adjustments term), which in turn feeds into the SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.12.2 The effect of this condition is to close out the RIIO-GT1 correction term such that revenue in the Regulatory Year commencing on 1 April 2021 reflects correction values relating to the Regulatory Year commencing on 1 April 2019.

Part A: Formula for calculating the system operator legacy correction term (SOLK\(_t\))

7.12.3 For the Regulatory Year commencing on 1 April 2021, the value of SOLK\(_t\) is derived in accordance with the following formula:

\[
SOLK_t = -SOK_t
\]

where:

SOK\(_t\) has the value of SOK\(_t\) as determined in accordance with Part E of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021.

7.12.4 The value of SOLK\(_t\) for the Regulatory Years commencing on or after 1 April 2022 is zero.

Special Condition 7.13 System operator legacy TRU term (SOLTRU\(_t\))

Introduction

7.13.1 The purpose of this condition is to calculate the term SOLTRU\(_t\) (the system operator legacy TRU term). This contributes to the calculation of the term SOLAR\(_t\) (the system operator legacy adjustments term), which in turn feeds into the SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.13.2 The effect of this condition is to close out the RIIO-GT1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 to 1 April 2022

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
reflects SOTRU adjustments relating to the Regulatory Years commencing on 1 April 2019 to 1 April 2020 respectively.

**Part A: Formula for calculating the system operator legacy TRU term (SOLTRUt)**

7.13.3 For the Regulatory Years commencing on 1 April 2021 to 1 April 2024, the value of LTRU is derived in accordance with the following formula:

\[
SOLTRU_t = SOTRU_t \cdot RPIF_t
\]

where:

- \( SOTRU_t \) is derived in accordance with Part D of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021; and
- \( RPIF_t \) has the value of RPIF as determined in accordance with Part D of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021.

7.13.4 The value of SOLTRU for Regulatory Years commencing on or after 1 April 2025 is zero.

**Special Condition 7.14 Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue (LCMIRt)**

**Introduction**

7.14.1 The purpose of this condition is to calculate the term LCMIRt (the RIIO-GT1 Constraint Management incentive revenue close-out term). This contributes to the calculation of the SOLARt term (the system operator legacy adjustments term), which in turn feeds into SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.14.2 The effect of this condition is to close out the RIIO-GT1 incentive in respect of Entry Capacity Constraint Management and Exit Capacity Constraint Management, such that revenue in Regulatory Years commencing 1 April 2021 and 1 April 2022 reflects the licensee’s performance under that incentive in the Regulatory Years commencing 1 April 2019 and 1 April 2020 respectively.

**Part A: Formula for calculating the RIIO-GT1 Constraint Management incentive revenue close-out term (LCMIRt)**

7.14.3 For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LCMIRt is derived in accordance with the following formula:

\[
LCMIR_t = R1CMIR_t \cdot RPIF_t
\]

where:
$R1CMIR_t$ has the value of $CMIR_t$ derived in accordance with Part F of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) of this licence as in force on 31 March 2021; and

$RPIF_t$ has the value of $RPIF_t$ as determined in accordance with Part D of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021.

7.14.4 For the Regulatory Years commencing on or after 1 April 2023, the value of $LMCIR_t$ is zero.

**Special Condition 7.15 Close out of the RIIO-GT1 Constraint Management cost adjustment ($LMCMA_t$)**

**Introduction**

7.15.1 The purpose of this condition is to calculate the term $LMCMA_t$ (the RIIO-GT1 Constraint Management cost adjustment close-out term). This contributes to the calculation of the $SOLAR_t$ term (the system operator legacy adjustments term), which in turn feeds into 30 Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.15.2 The effect of this condition is to close out the RIIO-GT1 adjustment in respect of Entry Capacity Constraint Management and Exit Capacity Constraint Management costs, such that revenue in the Regulatory Years commencing 1 April 2021 and 1 April 2022 reflects the appropriate adjustment for costs in Regulatory Years commencing 1 April 2019 and 1 April 2020 respectively.

**Part A: Formula for calculating the RIIO-GT1 Constraint Management cost adjustment close-out term ($LMCMA_t$)**

7.15.3 For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of $LMCMA_t$ is derived in accordance with the following formula:

$$LMCMA_t = R1CMCA_t \cdot RPIF_t$$

where:

$R1CMCA_t$ has the value of $CMCA_t$ derived in accordance with Part G Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) of this licence as in force on 31 March 2021; and

$RPIF_t$ has the value of $RPIF_t$ as determined in accordance with Part D of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021.

7.15.4 For the Regulatory Years commencing on or after 1 April 2023, the value of $LMCMA_t$ is zero.
Special Condition 7.16 Close out of the RIIO-GT1 Transportation Support Services adjustment (LTSS_t)

Introduction

7.16.1 The purpose of this condition is to calculate the term LTSS_t (the RIIO-GT1 transportation support services adjustment close out term). This contributes to the calculation of the SOLAR_t term (the system operator legacy adjustments term), which in turn feeds into SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.16.2 The effect of this condition is to close out the RIIO-GT1 transportation support services adjustment, such that revenue in the Regulatory Years commencing 1 April 2021 and 1 April 2022 reflects the appropriate adjustment for costs in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-GT1 transportation support services adjustment close-out term (LTSS_t)

7.16.3 For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LTSS_t has the value of TSS_t as calculated in accordance with Part A of Special Condition 3C (NTS Transportation Support Services) of this licence as in force on 31 March 2021.

7.16.4 For the Regulatory Years commencing on or after 1 April 2023, the value of LTSS_t is zero.

Special Condition 7.17 System operator legacy net RAV additions (SOLRAV_t)

Introduction

7.17.1 This condition explains the process the Authority will follow when directing values for the term SOLRAV_t (the SO legacy RIIO-1 net RAV additions term). This contributes to the calculation of the term SODPN_t (the SO depreciation term as calculated by the GT2 Price Control Financial Model), which in turn feeds into the SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).

7.17.2 The effect is to reflect the close out of the RIIO-GT1 Price Control Financial Model in respect of SO legacy net RAV additions.

Part A: Authority assessment and direction

7.17.3 The Authority will direct revisions to SOLRAV_t, coinciding with the Annual Iteration Process.

7.17.4 Before making a direction under paragraph 7.17.3 the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
(b) the reasons for the proposed direction; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
Chapter 8: Governance

Special Condition 8.1 Governance of the GT2 Price Control Financial Instruments

Introduction

8.1.1 The purpose of this condition is to establish:

(a) the GT2 Price Control Financial Instruments; and
(b) a robust and transparent change control framework for the GT2 Price Control Financial Instruments.

Part A: The GT1 Price Control Financial Instruments

8.1.2 Each of the following GT2 Price Control Financial Instruments forms part of this condition:

(a) the GT2 Price Control Financial Handbook; and
(b) the GT2 Price Control Financial Model.

Part B: Assessment of the likely impact of an intended modification

8.1.3 Before initiating any modification of a GT2 Price Control Financial Instrument, the Authority will assess whether that modification would be likely to have a significant impact on any of the following persons:

(a) the licensee;
(b) any other Gas Transporter Licensee in whose licence a condition equivalent to this one has effect;
(c) any person engaged in the shipping, transportation, or supply of gas conveyed through pipes or in the generation, transmission, distribution, or supply of electricity; and
(d) energy consumers (whether considered individually, as a whole, or by reference to any class or category) in Great Britain.

8.1.4 In making the assessment required by paragraph 8.1.3, the Authority will have regard to all relevant factors including:

(a) any impact which an intended modification would be likely to have on any component of the licensee’s Allowed Revenue or SO Allowed Revenue or on any value, rate, time period, or calculation used in the determination of Allowed Revenue or SO Allowed Revenue; and
(b) in respect of modifications to the GT2 Price Control Financial Model, any views expressed by the GT2 Price Control Financial Model Working Group.

8.1.5 For the purposes of paragraph 8.1.3, it is to be presumed that a modification which serves to correct a manifest error contained in a GT2 Price Control Financial Instrument is a modification which would be likely to have no significant impact on the persons referred to in that paragraph.
Financial Instrument will not have a significant impact on any of the persons mentioned in that paragraph.

**Part C: Circumstances in which a modification may be made**

8.1.6 If, having carried out the required assessment under Part B, the Authority considers that an intended modification of a GT2 Price Control Financial Instrument would not be likely to have a significant impact on any of the persons mentioned in paragraph 8.1.3, it may modify that instrument by direction. Otherwise any modification will be made under section 23 of the Act.

8.1.7 Before making a direction under paragraph 8.1.6, the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;
(b) the reasons for the proposed direction, including why the Authority believes that the modification would not be likely to have a significant impact on any of the persons mentioned in paragraph 8.1.3; and
(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

8.1.8 A direction under paragraph 8.1.6 will set out:

(a) the modifications to the GT2 Price Control Finance Instruments; and
(b) the date from which it is to have effect or the mechanism by which that date is to be determined.

**Part D: Availability and updating of GT2 Price Control Financial Instruments**

8.1.9 This Part has effect in relation to the publication and availability of the GT2 Price Control Financial Handbook, and the GT2 Price Control Financial Model.

8.1.10 The Authority will ensure that any modifications of the GT2 Price Control Financial Handbook, whether under Part C or otherwise, are promptly incorporated into a consolidated version of the GT2 Price Control Financial Handbook maintained on the Authority's Website.

8.1.11 The Authority will ensure that any modifications of the GT2 Price Control Financial Model, whether under Part C or otherwise, are promptly incorporated into a consolidated version of the GT2 Price Control Financial Model maintained on the Authority's Website.

8.1.12 Without limiting the general effect of paragraph 8.1.11, the Authority will, by no later than 30 November prior to each Regulatory Year:

(a) publish on the Authority’s Website, in Microsoft Excel ® format, the version of the GT2 Price Control Financial Model that will be used to calculate and publish the value of the terms $ADJR_t$ and $AR_t$ in accordance with the calculation set out in Part C of Special Condition 2.1 (Transportation owner revenue restriction) and $SOADJR_t$ and $SOAR_t$ in accordance with the

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Special Condition 8.2 Annual Iteration Process for the GT2 Price Control Financial Model

Introduction

8.2.1 The purpose of this condition is to set out the steps of the Annual Iteration Process that will be carried out by the licensee and the Authority each year in relation to the GT2 Price Control Financial Model, in order to calculate and publish the value of the terms ADJR_t and AR_t in accordance with the calculation set out in Special Condition 2.1 (Transportation owner revenue restriction) and SOADJR_t and SOAR_t in accordance with the calculation set out in Special Condition 2.3 (System operator revenue restriction).

8.2.2 This condition also explains the process the Authority will follow in issuing and amending the PCFM Guidance.

Part A: Steps comprising the Annual Iteration Process

8.2.3 The paragraphs in this Part set out the steps that comprise the Annual Iteration Process.

8.2.4 Step 1: The licensee must, by 31 August 2021 and by 31 July prior to each Regulatory Year, thereafter:

(a) use the version of the GT2 Price Control Financial Model published by the Authority in accordance with paragraph 8.1.12 or where there has been a republication, the version most recently published to complete the PCFM Variable Values table with the PCFM Variable Values in accordance with the PCFM Guidance;

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
run the macro on the “UserInterface” sheet of the GT2 Price Control Financial Model to calculate the value of the terms ADJR_t, AR_t, SOADJR_t, and SOAR_t;
(c) save the GT2 Price Control Financial Model; and
(d) submit the GT2 Price Control Financial Model to the Authority.

8.2.5 Step 2: The Authority will, taking into account any decisions made by it in relation to PCFM Variable Values under Chapters 2 to 7 of this licence:
(a) review the GT2 Price Control Financial Model submitted by the licensee and confirm or amend any PCFM Variable Values; or
(b) where the licensee has not complied with Step 1, complete the PCFM Variable Values table.

8.2.6 Step 3: The Authority will run the macro on the “UserInterface” sheet of the GT2 Price Control Financial Model to calculate the value of the terms ADJR_t, AR_t, SOADJR_t, and SOAR_t.

8.2.7 Step 4: The Authority will publish the value of the terms ADJR_t, AR_t, SOADJR_t, and SOAR_t on the Authority’s Website in accordance with Part B.

8.2.8 In relation to Step 1 in paragraph 8.2.4:
(a) where a PCFM Variable Value is not known at the time of submission, the licensee must calculate that value in accordance with the GT2 Price Control Financial Handbook or the PCFM Guidance, as applicable and otherwise provide its best estimate using the information available at the time; and
(b) where any PCFM Variable Value relies on a third-party publication that ceases to be published or no longer contains the value required, the value from the most recent publication that did contain the value, or an alternate input agreed to by the Authority must be used.

Part B: Publication of the value of the terms ADJR_t, AR_t, SOADJR_t and SOAR_t

8.2.9 The value of the terms ADJR_t, AR_t, SOADJR_t, and SOAR_t will be published by the Authority no later than 30 November prior to each Regulatory Year. The published or republished values for the terms ADJR_t, AR_t, SOADJR_t, and SOAR_t must be used by the licensee when setting Network Charges in accordance with Special Condition 2.1 (Transportation owner revenue restriction) and Special Condition 2.3 (System operator revenue restriction).

8.2.10 The Authority may re-publish the values of the terms ADJR_t, AR_t, SOADJR_t, and SOAR_t by the end of January prior to the Regulatory Year t.

8.2.11 Before publishing or re-publishing the value of the terms ADJR_t, AR_t, SOADJR_t, and SOAR_t, the Authority will:
(a) send to the licensee:
i. a notice stating the values for the terms $\text{ADJR}_t$, $\text{AR}_t$, $\text{SOADJR}_t$, and $\text{SOAR}_t$ that it proposes to publish; and

ii. a copy of the GT2 Price Control Financial Model, which will contain the data used to calculate the values proposed for the terms $\text{ADJR}_t$, $\text{AR}_t$, $\text{SOADJR}_t$, and $\text{SOAR}_t$; and

(b) specify a period during which representations may be made, which will not be less than 14 days.

Part C: What if the Annual Iteration Process is not completed by 30 November?

8.2.12 If the Authority does not publish values for the terms $\text{ADJR}_t$, $\text{AR}_t$, $\text{SOADJR}_t$, and $\text{SOAR}_t$ by 30 November prior to any Regulatory Year, then the Annual Iteration Process will not have been completed and the provisions set out in paragraphs 8.2.13 and 8.2.14 will apply.

8.2.13 The Authority will complete the Annual Iteration Process as soon as is reasonably practicable after 30 November by publishing values for the terms $\text{ADJR}_t$, $\text{AR}_t$, $\text{SOADJR}_t$, and $\text{SOAR}_t$.

8.2.14 In the intervening period (Between the 30 November and the date the values of the terms $\text{ADJR}_t$, $\text{AR}_t$, $\text{SOADJR}_t$, and $\text{SOAR}_t$ are published under paragraph 8.2.13), the values of the terms $\text{ADJR}_t$, $\text{AR}_t$, $\text{SOADJR}_t$, and $\text{SOAR}_t$ will be held to be equal to a value ascertained by:

(a) taking a copy of the GT2 Price Control Financial Model in its state following the last completed Annual Iteration Process or re-publication which, for the avoidance of doubt, will exclude the effect of any functional modifications under paragraph 8.1.3 of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments) made after the completion of that Annual Iteration Process;

(b) using the selection facilities on the “User Interface” sheet contained in that copy of the GT2 Price Control Financial Model to select:

i. the name of the licensee;

ii. the Regulatory Year equating to the Regulatory Year $t$;

(c) pressing the “Run for One” macro button on the “User Interface” sheet; and

(d) recording the value of the terms $\text{ADJR}_t$, $\text{AR}_t$, $\text{SOADJR}_t$, and $\text{SOAR}_t$ that are shown as output values in the “SavedResults” sheet.

Part D: The final year of the GT2 Annual Iteration Process and other clarifications

8.2.15 The last Regulatory Year in which there will be an Annual Iteration Process for the GT2 Price Control Financial Model is 2024/2025 for the purpose of determining the value of the terms $\text{ADJR}_t$ and $\text{SOADJR}_t$ for Regulatory Year 2025/26.

8.2.16 For the avoidance of doubt, neither:
(a) an Annual Iteration Process for the GT2 Price Control Financial Model carried out in accordance with this condition, including in particular the steps set out in Part A; nor

(b) a change to the Regulatory Year included in the name of and text within the GT2 Price Control Financial Model (as referred to at paragraphs 8.1.12 (b) and (c)) of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments) will constitute a modification of the GT2 Price Control Financial Model within the meaning of Part C of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments).

8.2.17 Where any PCFM Variable Values are revised for years earlier than Regulatory Year t, the effect of using those revised values in the Annual Iteration Process will, subject to a Time Value of Money Adjustment, be reflected in the updated calculation of the value of the terms ADJR_t, AR_t, SOADJR_t and SOAR_t for Regulatory Year t and, for the avoidance of doubt, it will not have any retrospective effect on a previously published value of the terms ADJR_t, and SOADJR_t.

**Part E: The PCFM Guidance**

8.2.18 The licensee must comply with the PCFM Guidance when completing the Annual Iteration Process.

8.2.19 The Authority will issue and amend the PCFM Guidance by direction.

8.2.20 The Authority will publish the PCFM Guidance on the Authority’s Website by the PCFM functional change cut-off date set out in the GT2 Price Control Financial Handbook.

8.2.21 The PCFM Guidance will make provision about:

(a) instructions and guidance on how to populate the PCFM Variable Values for submission for an Annual Iteration Process;

(b) instructions and guidance on the process and timeframe for reporting and submitting the required data; and

(c) any requirements for supporting information, documentation or commentary that are to be submitted.

8.2.22 Before issuing the PCFM Guidance by direction the Authority will publish on the Authority's Website:

(a) the text of the proposed PCFM Guidance;

(b) the date on which the Authority intends the PCFM Guidance to come into effect; and

(c) a period during which representations may be made on the content of the PCFM Guidance, which will not be less than 28 days.
8.2.23 Before amending the PCFM Guidance by direction, the Authority will publish on the Authority’s Website:

(a) the text of the amended PCFM Guidance;
(b) the date on which the Authority intends the amended PCFM Guidance to come into effect;
(c) the reasons for the amendments to the PCFM Guidance; and
(d) a period during which representations may be made on the amendments to the PCFM Guidance, which will not be less than 28 days.
Chapter 9: General obligations

Special Condition 9.1 Annual Environmental Report

Introduction

9.1.1 This condition requires the licensee to prepare and publish an Annual Environmental Report.

9.1.2 The purpose of an Annual Environmental Report is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and in relation to the licensee’s progress against its Environmental Action Plan Commitments.

9.1.3 This condition also explains the process the Authority will follow in issuing and amending Environmental Reporting Guidance, which the licensee must comply with when preparing its Annual Environmental Report.

Part A: Requirement to prepare and publish an Annual Environmental Report

9.1.4 The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance.

9.1.5 The licensee must publish an Annual Environmental Report for the preceding Regulatory Year on, or before, the date specified in the Environmental Reporting Guidance.

9.1.6 The licensee must ensure its Annual Environmental Report is readily accessible to the public from the licensee’s website.

Part B: Environmental Reporting Guidance

9.1.7 The Authority will issue and amend Environmental Reporting Guidance by direction.

9.1.8 The Authority will publish Environmental Reporting Guidance on the Authority’s Website.

9.1.9 The Environmental Reporting Guidance will set out how the licensee must prepare its Annual Environmental Report, including the following:

(a) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Annual Environmental Report;

(b) the requirements for the structure and level of detail to be included in the Annual Environmental Report, including some of the data metrics to be used, as well as expectations about the level of explanatory text to be included; and

(c) the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
9.1.10 Before issuing the Environmental Reporting Guidance by direction, the Authority will publish on the Authority’s Website:

(a) the text of the proposed Environmental Reporting Guidance;
(b) the date on which the Authority intends the Environmental Reporting Guidance to come into effect; and
(c) a period during which representations may be made on the content of the Environmental Reporting Guidance, which will not be less than 28 days.

9.1.11 Before amending the Environmental Reporting Guidance by direction, the Authority will publish on the Authority’s Website:

(a) the text of the amended Environmental Reporting Guidance;
(b) the date on which the Authority intends the amended Environmental Reporting Guidance to come into effect, which, unless agreed with the licensee, will not be before three months or the commencement of the next full reporting year, whichever is later;
(c) the reasons for the amendments to the Environmental Reporting Guidance;
(d) how the proposed reporting requirements provide an appropriate balance on costs of reporting and benefit of information created; and
(e) a period during which representations may be made on the amendments to the Environmental Reporting Guidance, which will not be less than 28 days.

Special Condition 9.2 Network Asset Risk Metric methodology

Introduction

9.2.1 The purpose of this condition is to set out the requirements on the licensee in respect of the NARM Methodology.

9.2.2 It also sets out the process for modifying the NARM Methodology.

Part A: Requirement to have a NARM Methodology

9.2.3 The licensee must have in place and act in accordance with a NARM Methodology that facilitates the achievement of the NARM Objectives.

9.2.4 The NOMs Methodology in effect on 31 March 2021 is deemed to be the NARM Methodology in effect from 1 April 2021 until superseded.

Part B: The NARM Objectives

9.2.5 The NARM Objectives are:

(a) to provide transparent, logical links between:
   i. the Asset Data that the licensee collects through inspections, maintenance, and other asset management activities;
   ii. the data that the licensee inputs into its Asset Management Systems;
iii. the licensee's asset management decisions; and
iv. where relevant, the licensee's whole system investment decisions;

(b) to enable the Authority to establish the licensee's Baseline Network Risk Outputs and to undertake an objective assessment of the licensee's Baseline Network Risk Output delivery;

(c) to enable the robust estimation of Current Monetised Risk, Forecast Monetised Risk, Single-year Monetised Risk, and Long-term Monetised Risk of asset failure for:
   i. each NARM Asset Category;
   ii. individual NARM Assets within each NARM Asset Category; and
   iii. the NTS;

(d) to enable the robust estimation of the Current Monetised Risk and Long-term Monetised Risk benefits delivered, or expected to be delivered, through interventions on specific assets or groups of assets;

(e) to provide inputs to help explain and justify, through Cost-Benefit Analysis:
   i. the licensee's investment plans for managing and renewing its NARM Assets; and
   ii. the licensee's outturn delivery of investment options;

(f) to enable the identification and quantification of drivers leading to changes in Monetised Risk over time;

(g) to enable the comparative analysis of Monetised Risk between:
   i. different NARM Asset Categories and between individual NARM Assets on the NTS;
   ii. geographic areas of, and NARM Assets within, the NTS;
   iii. the NTS and other networks within the same sector;
   iv. the NTS and networks outside Great Britain with similar assets should similar approaches as set out in the NARM Methodology be applied to estimate Monetised Risk for those networks; and
   v. the NTS and Distribution Networks within Great Britain; and

(h) to enable the communication to the Authority and other interested parties of relevant information about the NTS in an accessible and transparent manner.

Part C: Modification of the NARM Methodology

9.2.6 The licensee must, at least once every year, review the NARM Methodology to identify scope for modifications that would better facilitate the achievement of the NARM Objectives.

9.2.7 Where the licensee has identified scope for modifications that would better facilitate the achievement of the NARM Objectives, it must notify the Authority.
of the timeframes within which it will propose the relevant modifications to the NARM Methodology.

9.2.8 Where the licensee proposes a modification to the NARM Methodology, it must:

(a) consult with other Network Licensees to which a condition of equivalent effect to this condition applies and with any other interested parties, allowing them a period of at least 28 days within which to make any representations on the proposed modification; and

(b) submit to the Authority a report containing:
   i. a statement explaining the proposed modification to the NARM Methodology; and
   ii. an explanation of how, in the licensee’s opinion, the proposed modification, if made, would better facilitate the achievement of the NARM Objectives;

(c) submit to the Authority a draft NARM Methodology that incorporates the proposed modification;

(d) submit to the Authority any relevant subsidiary or supporting documents, data files, or quantitative models;

(e) submit to the Authority a full and fair summary of any representations that were made to the licensee pursuant to sub-paragraph (a) and not withdrawn;

(f) submit to the Authority an explanation of any changes to the modification proposal that the licensee has made as a consequence of the representations received;

(g) submit to the Authority a presentation of the data and any other relevant information (including historical data, which should be provided, where reasonably practicable and relevant, for a period of at least ten years prior to the date of the modification proposal) the licensee has used for the purpose of developing the proposed modification;

(h) submit to the Authority a plan setting out how the licensee intends to rebase its Baseline Network Risk Outputs, if Rebasing is a necessary consequence of implementing the proposed modification; and

(i) submit to the Authority a timetable for the implementation of the proposed modification, including a date for submission of Rebased Baseline Network Risk Outputs, if necessary.

9.2.9 The Authority will by direction:

(a) approve the proposed modification;

(b) approve the proposed modification with amendments; or

(c) reject the proposed modification.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
9.2.10 In the case of paragraph 9.2.9(a) or (b) the Authority may also direct the date by which the licensee must submit Rebased Baseline Network Risk Outputs in accordance with Special Condition 3.1 (Baseline Network Risk Outputs).

9.2.11 The licensee must implement the modification directed under paragraph 9.2.9(a) or (b) by such date as may be set out in that direction.

9.2.12 Before issuing a direction under paragraph 9.2.9, the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;
(b) the date on which the Authority intends the proposed direction to come into effect;
(c) the reasons why it proposes to issue the direction; and
(d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 9.3 Price Control Deliverable Reporting Requirements and Methodology Document

Introduction

9.3.1 The purpose of this condition is to require the licensee to report to the Authority on the delivery of its Evaluative PCDs.

9.3.2 This condition also provides for the issuing and amending of the PCD Reporting Requirements and Methodology Document, which:

(a) the licensee needs to comply with when preparing its reports; and
(b) sets out the methodology the Authority will use to assess the delivery of Price Control Deliverables.

Part A: Reporting requirements

9.3.3 The licensee must by 31 July in each Regulatory Year, or such later date directed by the Authority, send to the Authority a Basic PCD Report on each Evaluative PCD output for which the delivery date specified in the relevant licence condition was in the previous Regulatory Year.

9.3.4 Where directed to do so by the Authority the licensee must send to the Authority a Full PCD Report.

Part B: PCD Reporting Requirements and Methodology Document

9.3.5 The licensee must comply with the PCD Reporting Requirements and Methodology Document when preparing a report required by Part A.

9.3.6 The Authority will issue and amend the PCD Reporting Requirements and Methodology Document by direction.

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
9.3.7 The Authority will publish the PCD Reporting Requirements and Methodology Document on the Authority’s Website.

9.3.8 The PCD Reporting Requirements and Methodology Document will set out:

(a) how the licensee must prepare the reports required by Part A; and
(b) the methodology the Authority will use when deciding:
   i. whether to direct a value to reduce allowances for Price Control Deliverables that have not been Fully Delivered; and
   ii. the value to direct.

9.3.9 Before issuing the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority’s Website:

(a) the text of the proposed PCD Reporting Requirements and Methodology Document;
(b) the date on which the Authority intends the PCD Reporting Requirements and Methodology Document to come into effect; and
(c) a period during which representations may be made on the content of the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

9.3.10 Before amending the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority’s Website:

(a) the text of the amended PCD Reporting Requirements and Methodology Document;
(b) the date on which the Authority intends the amended PCD Reporting Requirements and Methodology Document to come into effect;
(c) the reasons for the amendments to the PCD Reporting Requirements and Methodology Document; and
(d) a period during which representations may be made on the amendments to the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

Special Condition 9.4 Re-opener Guidance and Application Requirements Document

Introduction

9.4.1 This condition requires the licensee to prepare applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.

9.4.2 This condition also explains the process the Authority will follow in issuing and amending the Re-opener Guidance and Application Requirements Document.
Part A: Requirement to comply with the Re-opener Guidance and Application Requirements Document

9.4.3 The licensee must prepare any applications for Re-openers in accordance with any applicable provisions of the Re-opener Guidance and Application Requirements Document.

Part B: Re-opener Guidance and Application Requirements Document

9.4.4 The Authority will issue and amend the Re-opener Guidance and Application Requirements Document by direction.

9.4.5 The Authority will publish the Re-opener Guidance and Application Requirements Document on the Authority's Website.

9.4.6 The Re-opener Guidance and Application Requirements Document will set out how the licensee must prepare its applications for Re-openers, including the following:

(a) the Re-openers to which the document applies;
(b) the level of detail required in the application;
(c) any requirement to publish the application;
(d) when it is appropriate to make redactions in published applications; and
(e) any requirement for assurance.

9.4.7 Before issuing the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:

(a) the text of the proposed Re-opener Guidance and Application Requirements Document;
(b) the date on which the Authority intends the Re-opener Guidance and Application Requirements Document to come into effect; and
(c) a period during which representations may be made on the content of the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.

9.4.8 Before amending the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:

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

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc's (NTS) Gas Transporter Licence – 24 July 2021
Special Condition 9.5 Digitalisation

Introduction

9.5.1 The purpose of this condition is to set out the licensee’s obligations to:

(a) have a Digitalisation Strategy;
(b) have a Digitalisation Action Plan;
(c) update its Digitalisation Strategy and its Digitalisation Action Plan;
(d) comply with the DSAP Guidance; and
(e) comply with Data Best Practice Guidance.

9.5.2 This condition also sets out the process the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

Part A: Requirements of the Digitalisation Strategy

9.5.3 The licensee must publish its Digitalisation Strategy on, or before, 31 March 2022.

9.5.4 The licensee must review the progress it has made against its Digitalisation Strategy and update its Digitalisation Strategy at least once every 2 years after 31 March 2022.

9.5.5 The licensee must:

(a) publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee’s website where they are readily accessible to the public;
(b) maintain an archive of all published versions of its Digitalisation Strategy on the licensee’s website where they are readily accessible to the public; and
(c) notify the Authority of any updates to the Digitalisation Strategy.

Part B: Requirements of the Digitalisation Action Plan

9.5.6 The licensee must publish its Digitalisation Action Plan on, or before, 30 June 2021.

9.5.7 The licensee must review the progress it has made against and update its Digitalisation Action Plan at least once every 6 months after 30 June 2021.

9.5.8 The licensee must:

(a) publish its Digitalisation Action Plan, and updates to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;
(b) maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and
(c) notify the Authority of any updates to the Digitalisation Action Plan.
Part C: DSAP Guidance.

9.5.9 The licensee must comply with the DSAP Guidance when:

(a) preparing and updating its Digitalisation Strategy; and
(b) preparing and updating its Digitalisation Action Plan.

9.5.10 The Authority will issue and amend the DSAP Guidance by direction.

9.5.11 The Authority will publish the DSAP Guidance on the Authority’s Website.

9.5.12 The DSAP Guidance will make provision about:

(a) how the licensee should work towards digitalisation;
(b) how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan how it intends to use Energy System Data to generate benefits for consumers and stakeholders and the specific actions it will take to achieve that outcome;
(c) the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:
   i. the structure, content and level of detail of each;
   ii. the types of activities that should be covered in each; and
   iii. any required information associated with those activities; and
(d) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

Part D: Requirement to employ data best practice

9.5.13 The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.

9.5.14 The Authority will issue and amend Data Best Practice Guidance by direction.

9.5.15 The Authority will publish Data Best Practice Guidance on the Authority’s website.

9.5.16 Data Best Practice Guidance will make provision about how the Authority expects the licensee to comply with data best practice to generate benefits for consumers and stakeholders, including but not limited to ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

Part E: Process for issuing and amending guidance

9.5.17 Before issuing DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority’s Website:

(a) the text of the proposed guidance;
Special Condition 9.6 Disapplication of Relevant Special Conditions

Introduction

9.6.1 The purpose of this condition is to enable the licensee to make a formal request for the disapplication of the Relevant TO Special Conditions or Relevant SO Special Conditions (in whole or in part) and for such provisions to be disapplied following a request in the circumstances specified.

Part A: Procedure for making a Disapplication Request

9.6.2 The licensee may submit a Disapplication Request in writing to the Authority.

9.6.3 A Disapplication Request must:

(a) specify which of the Relevant TO Special Conditions or Relevant SO Special Conditions (or any part or parts of them) the request relates;
(b) provide a full statement of the licensee’s reasons for making the request;
(c) contain such other information or analysis as the licensee considers sufficient to enable the Authority to fully assess the Disapplication Request; and
(d) state the Disapplication Date that the licensee proposes (which must not be earlier than the appropriate date mentioned in Part B).

9.6.4 A Disapplication Request may be submitted only in respect of a specified geographical area.

9.6.5 The Authority may, during the period of 28 days beginning with the date of receipt of a Disapplication Request, give notice to the licensee:

(a) specifying further information or analysis that the Authority reasonably considers is required in order to fully assess the Disapplication Request; and
(b) requesting the licensee to provide that information or analysis.

9.6.6 The licensee may withdraw a Disapplication Request at any time.

Part B: Date from which a disapplication may take effect

9.6.7 The Disapplication Date specified in a Disapplication Request must be after the period of 18 months beginning with the date of the submission of the Disapplication Request, unless the Authority consents in writing to an earlier date.

9.6.8 If paragraph 9.6.5 applies, a Disapplication Request will be treated as submitted when that further information or analysis is received by the Authority and, if in consequence the Disapplication Date set out in the Disapplication Request no longer complies with paragraph 9.6.7, the Disapplication Date will be treated as being the earliest date that would comply with that paragraph.

Part C: Licensee’s right to terminate under a Disapplication Request

9.6.9 If the licensee has submitted to the Authority a Disapplication Request that complies with the requirements of Parts A and B, it may subsequently give the Authority a Disapplication Notice:

(a) in the circumstance described in Part D; or
(b) in the circumstance described in Part E.

9.6.10 In either case the Disapplication Notice may not take effect before the Disapplication Date or such earlier date to which the Authority may have consented under Part B.

Part D: Termination without involvement of the Competition and Markets Authority

9.6.11 The circumstance referred to in paragraph 9.6.9(a) is that by the beginning of the period of six months ending with the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under section 23(7) of the Act to modify:

(a) the Relevant TO Special Conditions or Relevant SO Special Conditions (or any part or parts of them) to which the Disapplication Request applies; or
(b) this Condition so as to remove the licensee’s right to give the Authority a Disapplication Notice in respect of the relevant Disapplication Request.

Part E: Termination after involvement of the Competition Commission

9.6.12 The circumstance referred to in paragraph 9.6.9(b) is that the Authority has published a decision as described in paragraph 9.6.11(a) or 9.6.11(b) and:

(a) the licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority as provided for by section 23B of the Act; and

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
(b) the Competition and Markets Authority, acting under section 23E of the Act has, in respect of the provision to which the Disapplication Notice relates:
   i. quashed the Authority's decision;
   ii. neither remitted the matter back to the Authority under section 23E(2)(b) of the Act nor substituted its own decision for that of the Authority under section 23E(2)(c) of the Act; and
(c) no more than 30 days have elapsed since the date on which the Competition and Markets Authority quashed the decision in the circumstances described in paragraph 9.6.12(b)(i).

Special Condition 9.7 Directly Remunerated Services

Introduction

9.7.1 The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services under the special conditions of this licence.

9.7.2 The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of Allowed Revenue and SO Allowed Revenue.

9.7.3 This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

Part A: Licensee's obligation to exclude Directly Remunerated Services

9.7.4 The licensee must exclude revenue derived from Directly Remunerated Services from TO Recovered Revenue and SO Recovered Revenue.

9.7.5 Directly Remunerated Services are:
   (a) services that comply with the general principle set out in Part B; or
   (b) the services listed in Part C to the extent that they comply with the general principle in Part B; or
   (c) services that the Authority directs are to be treated as Directly Remunerated Services to the extent that such direction will comply with the general principle in Part B.

9.7.6 Services are not to be treated as Directly Remunerated Services if the Authority so directs to the extent that such direction will comply with the general principle in Part B.

Part B: Statement of general principle

9.7.7 The general principle is that a service provided by the licensee as part of its Licensed Activity is to be treated as a Directly Remunerated Service if and to
the extent that the service is not already remunerated under any of the charges listed in paragraph 9.7.8.

9.7.8 The charges referred to in paragraph 9.7.7 are:

(a) NTS Transportation Owner Charges, under the provisions of Special Condition 2.1 (Transportation owner revenue restriction);

(b) NTS System Operation Charges, under the provisions of Special Condition 2.3 (System operator revenue restriction); and

(c) charges arising from any activity carried out under the provisions of Special Condition 7.7 (RIIO-GT1 network innovation competition) which results in Returned Royalty Income for the licensee.

Part C: Categories of Directly Remunerated Services

9.7.9 The descriptions of categories of Directly Remunerated Services set out at paragraph 9.7.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs.

9.7.10 Directly Remunerated Services include the following services:

DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain gas pipes or plant, meters or other equipment necessary to provide any new connection or modify any existing connection to the Transportation System to which this licence relates, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8).

DRS2. Diversionary works under an obligation: This category consists of the relocating of any gas pipes or plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9 (Powers and duties of gas transporters) of the Act (for avoidance of doubt Pipeline Diversion Costs are not a Directly Remunerated Service).

DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line or electrical plant that forms part of the licensee’s Transportation System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.

DRS4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any electric line or electrical plant that forms part of the licensee’s Transportation System to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.

DRS5. Outage changes: (Not applicable to Gas Transmission).
DRS6. Emergency services: This category consists of the provision of emergency services under contracts entered into pursuant to the provisions of Standard Special Condition A41 (Emergency Services to or on Behalf of Another Gas Transporter) of this licence.

DRS7. PARCA activities: This category consists of the works relating to the initial investigations and assessment of technical options for the provision of Entry Capacity or Exit Capacity carried out by the licensee prior to entering into a PARCA, which may lead to the provision of a Phase 1 PARCA Works Report to the PARCA Applicant, or in the case of the provision of Entry Capacity or Exit Capacity at a point described in the Appendices to Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) as an interconnector, which may lead to the provision of a joint notice published under “European Interconnection Document Section E” of the Uniform Network Code.

DRS8. Independent System Operation: (Not applicable).

DRS9. Network Innovation Funding: (Not applicable).

DRS10. Value added services: (Not applicable).

DRS11. Top-up, standby, and enhanced system security: (Not applicable).

DRS12. Revenue protection services: (Not applicable).

DRS13. Metering services: (Not applicable).

DRS14. Smart meter roll-out rechargeable services: (Not applicable).

DRS15. Miscellaneous: This category consists of the provision of any other service (including the provision of gas pipes or plant) that:

(a) is for the specific benefit of any third party who requests it; and
(b) is not made available by the licensee as a normal part of its NTS Transportation Owner Activity or NTS System Operation Activity.

**Part D: Procedure for issuing directions**

9.7.11 Before issuing a direction under Part A the Authority will consider the general principle in Part B.

9.7.12 Any direction that the Authority issues under Part A will set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.
Special Condition 9.8 Tax Reconciliation assurance statement

Introduction

9.8.1 This condition requires the licensee to send to the Authority an annual assurance statement in relation to the Tax Reconciliation template and sets out the form of that statement.

Part A: Assurance Statement

9.8.2 The licensee must by 31 July in each Regulatory Year starting from 1 April 2023, send to the Authority an assurance statement, relating to Regulatory Year t-2 that:

(a) has been approved by resolution of the licensee's board of directors;
(b) is signed by a director of the licensee pursuant to that resolution in sub-
paragraph (a); and
(c) is set out in the form prescribed in paragraph 9.8.3 or, where paragraph 9.8.4 applies, in the form prescribed in paragraph 9.8.5.

9.8.3 The prescribed form for the assurance statement is as follows:

9.8.4 "In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] ("the licensee") hereby certify that for Regulatory Year [Regulatory Year t-2], in their opinion:

(a) the adjusted notional tax allowance as shown in the Tax Reconciliation template represents a fair interpretation of the licensee's adjusted actual tax liability as shown in the licensee's Company Tax Return (CT600);
(b) the Tax Reconciliation has been submitted to the Office of Gas and Electricity Markets along with a copy of:
   i. the licensee’s most recent CT600 as submitted to Her Majesty’s Revenue and Customs;
   ii. the licensee’s most recently submitted Senior Accounting Officer (SAO2) certificate as per (b)i; and
   iii. the licensee’s published Tax Strategy;
(c) where appropriate, further information has also been provided to support and explain reconciling items in accordance with the PCFM Guidance;
(d) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
(e) reconciling differences have been appropriately explained and any remaining, unexplained difference is considered immaterial, in aggregate."

9.8.5 Where the licensee anticipates a material, unexplained variance to arise in the Tax Reconciliation as described in Chapter 6 of the GT2 Price Control Financial
Handbook, the prescribed form for the assurance statement is set out in paragraph 9.8.5.

9.8.6 "In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2], in their opinion:

(a) the adjusted notional tax allowance as shown in the Tax Reconciliation template does not represent a fair interpretation of the Licensee's adjusted actual tax liability as shown in the licensee's Company Tax Return (CT600);
(b) the Tax Reconciliation has been submitted to the Office of Gas and Electricity Markets along with a copy of:
   i. the licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;
   ii. the licensee's most recently submitted Senior Accounting Officer (SAO2) certificate as per (b)i; and
   iii. the licensee's published Tax Strategy;
(c) where appropriate, further information has also been provided to support and explain reconciling items in accordance with the PCFM Guidance;
(d) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
(e) a notification has been given in writing to the Authority under Chapter 6 of the GT2 Price Control Financial Handbook."

Special Condition 9.9 Allocation of revenues and costs for calculations under the price control in respect of the NTS Transportation Owner Activity and NTS System Operation Activity

Introduction

9.9.1 This condition sets out how the licensee must allocate revenues and costs for the purposes of calculating its Allowed Revenue and SO Allowed Revenue in accordance with the Special Conditions in Chapter 2 (Revenue restriction).

9.9.2 This condition also requires the licensee to:

(a) have in place a methods statement that sets out the methods that the licensee will use in the allocation and attribution of revenues and costs; and
(b) prepare and send to the Authority a methods report, which describes the manner in which, and the extent to which, the licensee has complied with the provisions of the methods statement.

Part A: General principles of allocation and attribution

9.9.3 Unless the Authority otherwise directs, any allocation or attribution of revenues, costs, assets, and liabilities performed by the licensee in order to
calculate any of the values referred to in the Special Conditions contained within Chapter 2 must conform to the principles set out in paragraphs 9.9.4, 9.9.5, and 9.9.6.

9.9.4 Principle 1 is that the licensee must, so far as is reasonably practicable, allocate or attribute revenues, costs, assets, and liabilities in accordance with the activities which cause the revenues to be earned, the costs to be incurred, the assets to be acquired, or the liabilities to be incurred.

9.9.5 Principle 2 is that the licensee must perform its allocations and attributions on an objective basis and in a manner calculated not to unduly benefit itself or any other licensee or entity, affiliated or otherwise.

9.9.6 Principle 3 is that, so far as reasonably practicable, the licensee must perform all allocations and attributions on a consistent basis from one Regulatory Year to the next.

Part B: Allocation and attribution as between principal activities

9.9.7 To the extent relevant to its activities, the licensee must in so far as is reasonably practicable allocate or attribute all revenues earned and costs incurred by the Transportation Business to the following activities:

(a) the NTS Transportation Owner Activity;
(b) the NTS System Operation Activity; and
(c) any Directly Remunerated Services.

Part C: Statement of the methods to be used by the licensee

9.9.8 Unless the Authority otherwise directs, the licensee must, by no later than 31 July in each Regulatory Year, prepare and send to the Authority a statement in a form approved by the Authority that sets out the methods that the licensee intends to use in the allocation and attribution of revenues and costs.

9.9.9 The methods statement must, as a minimum, clearly distinguish between the allocation or attribution of revenues, costs, assets, and liabilities to each of the activities specified in Part B.

9.9.10 Where the basis of such allocations or attributions has changed from one Regulatory Year to the next, the methods statement must also indicate and explain how and why that basis has been changed.

9.9.11 The licensee must use reasonable endeavours to comply with the methods statement for the time being in force under this condition.

Part D: Direction to re-allocate and re-attribute

9.9.12 The licensee must re-allocate revenues earned by the licensee or re-attribute costs incurred by the licensee to the activities specified in Part B in accordance with any direction made by the Authority following receipt of the methods

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
statement, so that the licensee’s allocations and attributions comply with the principles set out in Part A.

**Part E: Preparation and submission of the methods report**

9.9.13 Unless the Authority otherwise consents, the licensee must, before the end of the period of 4 months beginning with the end of each Regulatory Year, prepare and send to the Authority a methods report that:

(a) describes the manner in which, and the extent to which, the licensee complied with the provisions of the methods statement and any direction made by the Authority under Part D in respect of that year; and

(b) states whether any modification should be made to the methods statement to reflect more closely the practice of the licensee.

9.9.14 The methods report must be accompanied by a report from an Appropriate Auditor that:

(a) sets out the procedures (which must have been approved by the Authority) that the Appropriate Auditor has carried out for the purposes of demonstrating the extent to which the licensee has properly prepared the methods report in accordance with the methods statement and any direction made under Part D; and

(b) gives an opinion as to the extent to which the licensee has properly prepared the methods report.

9.9.15 To the extent that the licensee earns revenues or incurs costs in the undertaking of De Minimis Business under Standard Special Condition A36 (Restriction on Activity and Financial Ring-Fencing), the licensee must report on those revenues and costs in accordance with this condition.

**Special Condition 9.10 Long term network planning**

**Introduction**

9.10.1 The purpose of this condition is to set out the licensee’s obligations in relation to reporting on its long term network development plan.

9.10.2 Reporting on the long term development plan must take the form of a Long Term Development Statement and an Annual Network Capability Assessment Report.

**Part A: Long Term Development Statement**

9.10.3 The licensee must prepare a Long Term Network Development Statement in each Regulatory Year.

9.10.4 The Long Term Network Development Statement must include, so far as is reasonably practicable, forecasts of:
(a) the likely use of the pipeline system to which this licence relates and any other pipeline system specified by the Authority by direction;
(b) the likely development of the system, facilities and other pipeline systems which the licensee expects from time to time to be taken into account in determining the charges for making connections to the pipeline system to which this licence relates and in pursuance of Transportation Arrangements;
(c) where such information is capable of being applied for the purpose of identifying and evaluating opportunities to:
   i. connect a pipeline to the pipeline system to which this licence relates, or to another Gas Transporter Licensee’s pipeline system;
   ii. enter into transportation arrangements with the licensee; or
   iii. connect to the pipeline system to which this licence relates, or another Gas Transporter Licensee’s pipeline system, premises which would reasonably be expected to be supplied with gas at a rate exceeding 2,196,000 kilowatt hours a year.

9.10.5 The licensee must, subject to any requirement to comply with the listing rules (within the meaning of the Financial Services and Markets Act 2000) and with paragraph 7 below:
   (a) send to the Authority a copy of the Long Term Development Statement by 31st December in each Regulatory Year;
   (b) publish, in such form and manner as the Authority may direct, a summary of each Long Term Development Statement; and
   (c) send a copy of the version prepared in accordance with paragraph 9.10.5(b) to any person who asks for one and makes such payment to the licensee in respect of the cost thereof as it may require, not exceeding such amount as the Authority may from time to time approve.

9.10.6 In complying with the requirements of paragraph 9.10.5(b) and (c), the licensee must exclude, in so far as is reasonably practicable, any matter which relates to the affairs of a person where the publication of that matter would, or might, seriously and prejudicially affect their interests.

9.10.7 Any question arising under paragraph 9.10.6 as to whether the publication of some matter which relates to the affairs of a person would, or would have the potential to, seriously and prejudicially affect their interests is to be determined by the Authority.

Part B: Annual Network Capability Assessment Report

9.10.8 The licensee must prepare an Annual Network Capability Assessment Report in each Regulatory Year.
9.10.9 The licensee must send its Annual Network Capability Assessment Report to the Authority by 30 June in each Regulatory Year or such other date as the Authority may direct.

9.10.10 The Annual Network Capability Assessment Report must include, so far as is reasonably practicable:

(a) flow forecasts across all network Entry and Exit Zones;
(b) the level of physical capability for each of those Entry and Exit Zones;
(c) the level of capability that can economically and efficiently be delivered using commercial tools (either that the licensee has in place or where the potential costs of such commercial tools have been revealed to the licensee through a tender process) for each of those Entry and Exit Zones;
(d) an explanation of the changes to the level of physical capability levels resulting from changes to the installed operational assets; and
(e) a view of the required level of physical capability in 10 years’ time.

Special Condition 9.11 Transmission Planning Code

Introduction

9.11.1 The purpose of this condition is to set out the licensee's obligations in relation to the Transmission Planning Code.

Part A: Transmission Planning Code obligation

9.11.2 The licensee must have in place, implement and comply with the provisions of a Transmission Planning Code approved by the Authority.

Part B: Transmission Planning Code requirements

9.11.3 The Transmission Planning Code must satisfy the requirements in this Part.

9.11.4 The first requirement is that the Transmission Planning Code must cover all material technical aspects relating to the planning and development of the pipeline system to which this licence relates that may have a material impact on persons connected to or using (or intending to connect to or use) that pipeline system.

9.11.5 The second requirement is that the Transmission Planning Code must include a methodology for determining the physical capability of the pipeline system to which this licence relates that specifies in detail how the licensee takes into account:

(a) its Entry Capacity release obligations pursuant to Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable) and its Exit Capacity release obligations pursuant to Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution);
(b) the amount of capacity that may technically be transferred or traded between NTS Entry Points;
(c) the impact of incremental gas flows on the capability of the pipeline system to which this licence relates at each NTS Entry Point and each NTS Exit Point; and
(d) the Statutory Network Security Standard.

9.11.6 The third requirement is that the Transmission Planning Code must include the detailed planning assumptions that the licensee uses in respect of:
(a) the likely developments it expects in the patterns of the supply of gas to, and the demand for gas from, the pipeline system to which the licence relates;
(b) the likely developments it expects in the levels of the supply of gas through and the demand for gas from that pipeline system; and
(c) the likely operation of the pipeline system to which the licence relates for any given pattern or level of supply of gas or demand for gas.

Part C: Review and revision of the Transmission Planning Code

9.11.7 The licensee must, if requested by the Authority, and in any event not less than once in every period of two Regulatory Years, review the Transmission Planning Code to ensure it continues to meet the requirements in Part B.

9.11.8 The licensee must when carrying out the review required by paragraph 9.11.7 consult with interested parties likely to be materially affected by the review.

9.11.9 Before revising the Transmission Planning Code, and during the period of 28 days beginning with the date on which a review is completed, the licensee must send to the Authority:
(a) a report on the outcome of the review;
(b) a statement of any proposed revisions to the Transmission Planning Code that the licensee having regard to the outcome of the review reasonably considers would lead to the Transmission Planning Code better fulfilling the requirements set out in Part B above; and
(c) any written representations, including any proposals for revising the Transmission Planning Code that have not been accepted by the licensee, that were received from interested parties during the consultation process and have not been withdrawn.

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

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Part D: Derogations

9.11.11 The licensee may apply to the Authority for derogation relieving the licensee of its obligations to implement or comply with the provisions of the Transmission Planning Code in respect of such parts of the pipeline system to which this licence relates as may be specified by the Authority by direction.

Special Condition 9.12 Licensee's Network Model

Introduction

9.12.1 The purpose of this condition is to set out the licensee's obligations in relation to the licensee's Network Model.

Part A: Network Model obligations

9.12.2 The licensee must have in place a Network Model approved by the Authority.

9.12.3 The licensee must, if requested by the Authority, use reasonable endeavours to provide reasonable access, including remote access so far as necessary and reasonably practicable, to the Network Model that enables the Authority to operate the Network Model.

Part B: Network Model requirements

9.12.4 The Network Model must satisfy the requirements in this Part.

9.12.5 The first requirement is that the Network Model must facilitate the licensee’s compliance with its duty under section 9(1)(a) of the Act.

9.12.6 The second requirement is that the Network Model must be consistent with the Transmission Planning Code.

9.12.7 The third requirement is that the Network Model must be designed so as to demonstrate its consistency with the first and second requirements.

Part C: Review and revision of the Network Model

9.12.8 The licensee must, if requested by the Authority, and in any event not less than once in every period of two Regulatory Years, review the Network Model to ensure that it continues to meet the requirements in Part B.

9.12.9 Before revising the Network Model and during the period of 28 days beginning with the date of completion of any review, the licensee must send to the Authority a report that sets out:

(a) the outcome of the review including supporting reasoning and analysis;

(b) how any proposed revisions to the Network Model would better achieve the requirements in Part B; and

(c) the date on which the licensee plans to implement any proposed revisions to the Network Model.
9.12.10 The Authority will:

(a) approve the revisions proposed by the licensee;
(b) approve the revisions proposed by the licensee and require the appointment of an independent expert to review the implementation of the revisions;
(c) reject the proposed revisions; or
(d) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

9.12.11 Where the Authority requires a review by an independent expert under paragraph 9.12.10(b), the licensee must, within the period of two months beginning with the date on which implementation of the revisions is completed, provide a copy of the independent expert's report to the Authority, confirming that the revisions have been implemented and that the Network Model is in use in its modified form.

Part D: Provision and modification of Relevant Network Model Data

9.12.12 The licensee must include in the Network Model the Relevant Network Model Data.

9.12.13 The licensee must:

(a) have in place a statement of procedures for modifying or updating the Relevant Network Model Data that is approved by the Authority;
(b) keep under review the procedures set out in that statement; and
(c) propose any revisions to those procedures that it considers should be made in the light of such review.

9.12.14 Before revising the procedures required by paragraph 9.12.13(a), the licensee must send to the Authority a report setting out:

(a) the proposed revisions; and
(b) the reasons for those proposed revisions.

9.12.15 The Authority will:

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

Part E: Derogations

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

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Special Condition 9.13 Capacity Requests, Baseline Capacity and Capacity Substitution

Introduction

9.13.1 The purpose of this condition is to set out the licensee’s obligation to:

(a) publish a notice of any requests for Firm Entry Capacity or Firm Exit Capacity;
(b) submit an associated notification to the Authority;
(c) maintain a table of instances of Entry Capacity Substitution and a table of instances of Exit Capacity Substitution;
(d) maintain a table of NTS Entry Points and NTS Exit Points along with associated information; and
(e) maintain a table of Zero Licence Baseline Entry Capacity Points and a table of Zero Licence Baseline Exit Capacity Points.

9.13.2 This condition also:

(a) sets out a process for approval of Entry Capacity Substitution or Exit Capacity Substitution;
(b) sets out requirements in relation to the treatment of Zero Licence Baseline Entry Capacity Points and Zero Licence Baseline Exit Capacity Points; and
(c) sets out Licence Baseline Entry Capacity and Licence Baseline Exit Capacity.

9.13.3 The effect of this condition is:

(a) to establish the requirements for requests for Firm Entry Capacity and Firm Exit Capacity, and
(b) to state the Licence Baseline Entry Capacity and Licence Baseline Exit Capacity levels and adjustments.

Part A: Publishing notice of request

9.13.4 Where the licensee receives a request for Firm Entry Capacity or Firm Exit Capacity, some or all of which constitutes Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity, the licensee must publish a notice on its website setting out where it intends to reserve that capacity, subject to the provisions of the appropriate statements maintained by the licensee under Special Condition 9.17 (Entry Capacity and Exit Capacity obligations and methodology statements) and 9.18 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes).

9.13.5 The notice must set out:

(a) each NTS Entry Point listed in Appendix 1 or NTS Exit Point listed in Appendix 2 at which the Firm Entry Capacity or Firm Exit Capacity
respectively has been requested and the quantity of capacity requested there;

(b) a description of any other location, where there is no NTS Entry Point or NTS Exit Point listed in the licence, where the Firm Entry Capacity or Firm Exit Capacity has been requested and the quantity of capacity requested there; and

(c) whether any part of the Firm Entry Capacity or Firm Exit Capacity requested cannot be satisfied using Entry Capacity Substitution or Exit Capacity Substitution, and will be the subject of an application by the licensee for a direction under Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable).

**Part B: Notification to the Authority and approval of Entry Capacity Substitution or Exit Capacity Substitution**

9.13.6 Where the licensee has published a notice in accordance with Part A, the licensee must:

(a) notify the Authority; and

(b) where relevant, outline with the notification to the Authority any proposal to carry out Entry Capacity Substitution or Exit Capacity Substitution.

9.13.7 The Authority will within 28 days:

(a) approve the proposal to carry out Entry Capacity Substitution or Exit Capacity Substitution;

(b) reject the proposal; or

(c) request more information from the licensee and approve or reject the proposal within 28 days of receipt of information that the Authority considers satisfies its request.

9.13.8 Where the Authority takes no action under paragraph 9.13.7 the licensee may treat the proposals as approved.

9.13.9 The licensee’s notification must include statements:

(a) confirming that the licensee has applied the methodologies in the relevant statements maintained by the licensee under Special Conditions 9.17 (Entry Capacity and Exit Capacity obligations and methodology statements) and 9.18 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes), and, in relation to those methodologies, setting out:

   i. the input data that the licensee used in applying the methodologies; and

   ii. the results of applying the methodologies;

(b) setting out any NTS Entry Point or NTS Exit Point at which the licensee proposes to provide Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity through Entry Capacity Substitution or Exit Capacity Substitution.
Substitution, as well as the volume of this capacity the licensee proposes to provide there, the relevant NTS Entry Points or NTS Exit Points where this capacity is being substituted from, and the volumes of this capacity being substituted away from each relevant NTS Entry Point or NTS Exit Point;

(c) setting out any NTS Entry Point or NTS Exit Point at which the licensee proposes to provide Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that is to be the subject of an application by the licensee for a direction under Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable) and the volume of this capacity the licensee proposes to provide there;

(d) setting out why the Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity referred to in paragraph 9.13.9(c) falls within the scope of paragraph 3.13.7 of Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable);

(e) setting out the first month in which Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity would be provided under paragraph 9.13.9(b) or (c) at the relevant NTS Entry Point or NTS Exit Point or in which Non-Incremental Obligated Entry Capacity or Non-Incremental Exit Capacity would cease to be provided at the relevant NTS Entry Point or NTS Exit Point; and

(f) setting out the date when the licensee’s obligation to offer for sale any Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity under paragraph 9.13.9(b) and (c) would commence, and the date on which the licensee’s obligation to offer for sale any volume of Non-Incremental Obligated Entry Capacity or Non-Incremental Obligated Exit Capacity being substituted away from the relevant NTS Entry Points or NTS Exit Points would cease.

**Part C: Record of Entry Capacity Substitution and Exit Capacity Substitution**

9.13.10 The licensee must maintain and publish on its website:

(a) a table of instances of Entry Capacity Substitution; and

(b) a table of instances of Exit Capacity Substitution.

**Part D: NTS Entry Points and NTS Exit Points**

9.13.11 The licensee must maintain and publish on its website a table of the NTS Entry Points and NTS Exit Points listed in Appendix 1 and Appendix 2 respectively, which includes quantities, for each point, of:

(a) Licence Baseline Entry Capacity and Licence Baseline Exit Capacity;

(b) Incremental Obligated Entry Capacity and Incremental Obligated Exit Capacity;

(c) Non-Incremental Obligated Entry Capacity and Non-Incremental Obligated Exit Capacity;

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(d) total monthly capacity release obligation;
(e) reserved capacity;
(f) sold capacity; and
(g) unsold capacity.

**Part E: Zero Licence Baseline entry and exit capacity points**

9.13.12 The licensee must maintain and publish on its website:
(a) a table of Zero Licence Baseline Entry Capacity Points; and
(b) a table of Zero Licence Baseline Exit Capacity Points.

9.13.13 The licensee must promptly inform the Authority of the creation of any new Zero Licence Baseline Entry Capacity Points or Zero Licence Baseline Exit Capacity Points.

9.13.14 Unless otherwise directed by the Authority, after recording the existence of a new Zero Licence Baseline Entry Capacity Point or Zero Licence Baseline Exit Capacity Point, the licensee must:
(a) conduct a consultation with network users on whether the new Zero Licence Baseline Entry Capacity Point or Zero Licence Baseline Exit Capacity Point should be treated as a Relevant Point on the licensee's pipeline system; and
(b) during the period of 14 days beginning with the date of the close of its consultation, submit to the Authority:
   i. a report on the outcome of the consultation; and
   ii. any written representations that were received from interested parties during the consultation process and were not withdrawn.

9.13.15 Following submission of the report the licensee must seek the Authority's approval for either:
(a) treating the new Zero Licence Baseline Entry Capacity Point or the new Zero Licence Baseline Exit Capacity Point as a Relevant Point on the licensee’s pipeline system, or
(b) not treating it as a Relevant Point on the licensee’s pipeline system.

**Appendix 1**

<table>
<thead>
<tr>
<th>NTS Entry Point</th>
<th>Type of entry</th>
<th>Baseline capacity (in GWh/d, as of 1 April 2021)</th>
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<thead>
<tr>
<th>Location</th>
<th>Type</th>
<th>Capacity (GWh)</th>
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<td>Avonmouth</td>
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## Appendix 2

### Licence Baseline Exit Capacity

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
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<th>Distance</th>
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Special Conditions to National Grid Gas Plc's (NTS) Gas Transporter Licence – 24 July 2021
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<td>Caldecott (Corby Power Station)</td>
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</tr>
</tbody>
</table>

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Carrington (Partington) Power Station  | DC  | 45.00
Cockenzie Power Station           | DC  | 0.00
Coryton 2 (Thames Haven) Power Station | DC  | 0.00
Centrax Industrial                | DC  | 0.09
Deeside                           | DC  | 28.48
Didcot                            | DC  | 137.76
Drakelow Power Station            | DC  | 0.00
Eastoft (Keadby)                  | DC  | 2.38
Eggborough Power Station          | DC  | 0.00
Enron Billingham                  | DC  | 116.65
Epping Green (Enfield Energy, aka Brimsdown) | DC  | 19.60
Ferny Knoll (AM Paper)            | DC  | 1.08
Fordoun CNG Station               | DC  | 0.00
GlasgoForest                      | DC  | 0.00
Goole (Guardian Glass)            | DC  | 1.62
Gowkhall (Longannet)              | DC  | 43.32
Grain Power Station               | DC  | 0.00
Harwarden (Shotton, aka Shotton Paper) | DC  | 11.59
Hatfield Power Station            | DC  | 0.00
Hollingsgreen (Hays Chemicals)    | DC  | 3.25
Keadby 2 Power Station            | DC  | 0.00
Kinneil CHP                       | DC  | 0.00
Langage Power Station             | DC  | 41.62
Marchwood Power Station           | DC  | 39.84
Medway (aka Isle of Grain Power Station NOT Grain Power) | DC  | 38.12
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station) | DC  | 95.34
Moffat (Irish Interconnector)     | INTERCONNECTOR | 530.09
Palm Paper                        | DC  | 4.20
Pembroke Power Station            | DC  | 121.20
Peterborough (Peterborough Power) | DC  | 23.28

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
<table>
<thead>
<tr>
<th>Location</th>
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<tbody>
<tr>
<td>Phillips Petroleum, Teesside</td>
</tr>
<tr>
<td>Pickmere (Winnington Power, aka Brunner Mond)</td>
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<tr>
<td>Roosecote Power Station (Barrow)</td>
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<tr>
<td>Rosehill (Saltend Power Station)</td>
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<td>Ryehouse</td>
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<tr>
<td>Saddle Bow (Kings Lynn)</td>
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<tr>
<td>Saltend BPHP (BP Saltend HP)</td>
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<td>Saltholme Power Station</td>
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<td>Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)</td>
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<tr>
<td>Seabank (Seabank Power Station phase II)</td>
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<td>Seal Sands TGPP</td>
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<td>Sellafield Power Station</td>
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<td>Shellstar (aka Kemira, not Kemira CHP)</td>
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<td>Shotwick (Bridgewater Paper)</td>
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<td>Spalding 2 (South Holland) Power Station</td>
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<tr>
<td>St Fergus Segal</td>
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<td>St. Fergus (Shell Blackstart)</td>
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<td>St. Fergus (Peterhead)</td>
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<td>St. Neots (Little Barford)</td>
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<td>Stanford Le Hope (Coryton)</td>
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<td>Teesside (BASF, aka BASF Teesside)</td>
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<td>Terra Nitrogen (aka ICI, Terra DC Severnside)</td>
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<tr>
<td>Thornton Curtis (Humber Refinery, aka Immingham)</td>
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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
<table>
<thead>
<tr>
<th>Location</th>
<th>Type</th>
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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
Special Condition 9.14 Prohibited procurement activities

Introduction

9.14.1 The purpose of this condition is to set out the restriction on the licensee regarding the acquisition of capacity rights, gas or gas derivatives.

9.14.2 The effect of this condition is to:

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

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

Part A: Prohibited procurement activities obligation

9.14.3 Subject to paragraph 9.14.4, the licensee must not either on its own account or on behalf of:

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

(b) any other business operated by the holder of this licence or its Affiliates or Related Undertakings under a separate licence under section 7 of the Act for a Relevant Gas Transporter purchase, enter into agreements for or otherwise acquire capacity rights, gas or gas derivatives with the intention of subsequently selling, assigning or otherwise disposing of such assets to third parties, and the licensee must procure that anyone specified in sub-paragraphs (a) and (b) will not undertake such transactions on its own account, or on behalf of the licensee, or of anyone specified in sub-paragraphs (a) and (b).

9.14.4 The prohibition in paragraph 9.14.3 will not apply if the transactions referred to in paragraph 9.14.3 are undertaken:

(a) by an Affiliate or Related Undertaking of the licensee each on its own account or on behalf of Affiliates or Related Undertakings specified in paragraphs 9.14.3(a) and (b) other than the licensee, provided that, in respect of each case, such Affiliate or Related Undertaking holds a licence under section 7 of the Act, issued by the Authority, or exempted from the requirement to hold such a licence, and that such licence or exemption does not prohibit such transactions;

(b) with the prior consent of the Authority;

(c) in accordance with the licensee’s functions under the Network Code; or

(d) by the licensee on its own account for the purpose of facilitating balancing management or Constraint Management provided that such transactions:

Note: Consolidated conditions are not formal Public Register documents and should not be relied on. Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
i. are conducted on economic and efficient terms; and 
ii. facilitate the economic and efficient operation of the Transportation System.

**Special Condition 9.15 NTS shortfall contribution obligations**

**Introduction**

9.15.1 The purpose of this condition is to require the licensee, in specified circumstances, to modify the charges imposed by it in carrying on its Licensed Activity to raise such amounts as are specified by the Secretary of State in a Shortfall Direction:

(a) from the persons; and
(b) in the manner

specified in such Shortfall Direction, and to pay such amounts to the persons specified in the Shortfall Direction.

**Part A: Licensee’s obligations under this condition**

9.15.2 Where there is a shortfall during or at the completion of an energy administration, energy supply company administration or smart meter communication licensee administration the Secretary of State, after consultation with the Authority and the licensee, may issue one or more Shortfall Directions to the licensee specifying:

(a) the amount of the shortfall (including the amount of any interest accruing on the shortfall calculated to the date specified in sub-paragraph (f));
(b) the amount to be raised by the licensee and applied in making good the shortfall;
(c) the Shortfall Payment Recipients;
(d) the rate or rates of interest applicable to any part or parts of the amount referred to in sub-paragraph (b), and any other relevant information to enable the licensee to calculate liability (if any) for payment of any interest in respect of any late payment of such amount to or by the licensee;
(e) the method or methods by which the licensee may raise the amount referred to in sub-paragraph (b) (including, without limitation, the manner in which and persons from whom it is to be raised and whether such amount is to be raised within or outside the licensee’s normal billing cycle);
(f) the date by which the licensee is required to pay the Shortfall Payment Recipients the amount referred to in sub-paragraph (b) (or, where payment of the amount is required in instalments, the dates on which the licensee is required to make payment of each instalment);
(g) where the shortfall includes relevant debts owed to more than one Shortfall Payment Recipient, the priority in which the amount referred to in sub-paragraph (b) is to be applied in discharging those debts;

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
(h) the extent to which the Shortfall Direction modifies or replaces a previously issued Shortfall Direction;

(i) where a Shortfall Direction is to modify or replace any previously issued Shortfall Direction, where appropriate, a requirement not to modify charges further pursuant to paragraph 9.15.6;

(j) the Permitted Administration Fee and the manner in which the Permitted Administration Fee is to be raised; and

(k) the licensee must comply with any such Shortfall Direction.

9.15.3 As soon as reasonably practicable after receiving a Shortfall Direction, the licensee must:

(a) modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be approved by the Authority), the change in its revenue resulting from the modification will equal the amount to be raised by it as specified in the Shortfall Direction (including, at the licensee’s discretion, any Permitted Administration Fee); and

(b) notify the persons who are subject to the charges so modified of:
   i. the modifications made to the charges;
   ii. any modification to the date or time period within which charges shall be paid;
   iii. the reason for those modifications; and
   iv. the interest rate applicable to late payment of modified charges.

9.15.4 The licensee must on or before the date (or dates) specified in the Shortfall Direction pay the amount raised under paragraph 9.15.3(a), (excluding any Permitted Administration Fee), to the Shortfall Payment Recipients, in accordance (where applicable) with any priority set out in the Shortfall Direction.

9.15.5 For the avoidance of doubt the licensee shall not at any time be under any liability:

(a) to make any payments to any Shortfall Payment Recipient, to the extent that those payments exceed the amount of additional revenue which the licensee has already received pursuant to the modification of its charges in accordance with this condition (excluding any Permitted Administration Fee); or

(b) to pay interest on any amounts due to any Shortfall Payment Recipient in respect of any period for which any payment is late (in whole or in part) where the delay to such payment arises from the late payment of money to the licensee.

9.15.6 Save where the Secretary of State specifies otherwise in a Shortfall Direction modifying or replacing a previous Shortfall Direction, if the amount raised by
the licensee under paragraph 9.15.3(a) (excluding any Permitted Administration Fee):

(a) is less than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall (other than as a result of late, partial or non-payment of the modified charges by one or more party subject to those charges), the licensee must:

i. as soon as is reasonably practicable, modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of that deficit together with any interest as specified in the Shortfall Direction; and

ii. pay that amount to the Shortfall Payment Recipients as soon as is reasonably practicable and at the latest by any date specified in the Shortfall Direction; or

(b) is more than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall, the licensee must as soon as reasonably practicable, further modify its charges so as to secure that, in its reasonable estimation (such estimate to be approved by the Authority), the change in its revenue effected by such modification will equal the amount of the excess together with any accrued interest thereon.

9.15.7 For the purposes of paragraphs 9.15.3(a) and 9.15.6:

(a) the licensee may modify its charges notwithstanding that it has not given prior notice of such a variation required by any other condition of this licence or the Uniform Network Code and any charges levied by the licensee after modification pursuant to paragraph 9.15.3(a) or 6 will be deemed to be compliant with the licensee’s obligations under Standard Special Condition A4 (Charging - General) and Standard Special Condition A5 (Obligations as Regard Charging Methodology);

(b) the licensee must not enter into any agreement with another party which does not permit it to vary its charges in pursuance of this condition and must take all steps within its power to amend, where necessary, any existing agreement to permit such variation; and

(c) in modifying its charges for the purposes of this condition the licensee must not discriminate between any person or class or classes of person, except in so far as any differences in charges reasonably reflect objective differences between such persons or classes of persons or in so far as any differences in charges are required to give effect to the Shortfall Direction.

9.15.8 The licensee must, as soon as is reasonably practicable after making any payment under paragraph 9.15.4 or 9.15.6, send a notice to the Authority and to the Secretary of State specifying the amount of that payment, the Shortfall Payment Recipients to whom it was paid, the date on which it was paid and
whether any of the payment was made up of interest resulting from late payment.

9.15.9 The licensee must prepare, in respect of each period of 12 months ending on 31 March in which its charges are modified in pursuance of paragraph 9.15.3(a) or 6, a statement showing:

(a) the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph 9.15.3(a);

(b) the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph 9.15.6(a);

(c) the aggregate amount of the change in its revenue resulting from any modification to charges in pursuance of paragraph 9.15.6(b);

(d) the aggregate payments made by the licensee during that period of 12 months ending on 31 March in accordance with paragraph 4 and, where applicable, paragraph 9.15.6(a); and

(e) must send the statement to the Authority during the period of four months beginning with the date on which the period to which it relates ends.

9.15.10 As soon as is reasonably practicable after sending a statement under paragraph 9.15.9 to the Authority, the licensee must also publish it on its website.

9.15.11 In this condition:

(a) any words or expressions used in Chapter 3 of Part 3 of the Energy Act 2004 shall have the same meaning in this condition as in that Chapter;

(b) any words or expressions used in Chapter 5 of Part 2 of the Energy Act 2011 shall have the same meaning in this condition as in that Chapter; and

(c) any words or expressions used in the Smart Meters Act 2018 shall have the same meaning in this condition as they do in that Act.

Special Condition 9.16 Restriction of prices in respect of Tariff Capped Metering Activities

Introduction

9.16.1 The purpose of this condition is to set out the tariff caps on certain metering activities.

Part A: Principal restriction

9.16.2 The licensee in setting its charges for each of its Tariff Capped Metering Activities in any Regulatory Year must not exceed the maximum tariff cap \( M_t^A \) in respect of that metering activity in that Regulatory Year.

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

9.16.3 For the Regulatory Year commencing on 1 April 2021, the maximum tariff caps have the values set out in the following table.
### Table

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
<th>Maximum tariff caps ($A$) for 2021/22 (£ nominal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$M_A=1$</td>
<td>Annual charge for providing and maintaining the assets that form a Domestic Credit Meter Installation, per meter per annum.</td>
<td>£17.70</td>
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<td>$M_A=2$</td>
<td>Annual charge for providing and maintaining the assets that form a Prepayment Meter Installation, per meter per annum.</td>
<td>£44.27</td>
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<td>$M_A=3$</td>
<td>Annual charge for providing a daily meter reading for Daily Metered Supply Meter Points, per supply meter point per annum.</td>
<td>£602.71</td>
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<tr>
<td>$M_A=4$</td>
<td>Carrying out work to replace a Domestic Credit Meter with a Prepayment Meter, per job undertaken.</td>
<td>£94.81</td>
</tr>
</tbody>
</table>

9.16.4 For each subsequent Regulatory Year, the maximum tariff caps have the value derived in accordance with the following formula:

$$M_t^A = M_{t-1}^A \times RPI_t$$

where

$RPI_t$: means the arithmetic average of the Retail Prices Index with respect to each of the six months from June to November in Regulatory Year $t-1$ divided by the arithmetic average of the Retail Price Index numbers with respect to the period from June to November in Regulatory Year $t-2$.

**Part C: Departure from published statements of charges in respect of Tariff Capped Metering Activities**

9.16.5 This paragraph applies where:

(a) the licensee proposes to depart from its published statement of charges;

(b) the departure would include increasing the licensee’s charges to a supplier to a level which would in any Regulatory Year result in a breach of the licensee’s obligations under paragraph 9.16.2; and

(c) the departure arises either:

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

9.16.6 Where paragraph 9.16.5 applies the licensee must make a written application to the Authority:

(a) specifying why the change is proposed;

(b) specifying the metering activities to be provided to the supplier;
(c) specifying the proposed level of charges broken down between the different kinds of metering activities to be provided to the supplier; and
(d) including such other information to support its application as the Authority may reasonably specify in writing.

9.16.7 In paragraph 9.16.5 the reference to the statement of charges is a reference to the statement prepared in accordance with Standard Special Condition B8 (Provision of Terms) in respect of the provision of Tariff Capped Metering Activities.

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

(a) the Authority confirms in writing that it consents to such charges with or without amendment and to such extent, and on the basis of such terms and conditions, as the Authority may specify (in which case the licensee must apply the charges with any such amendment and only to such extent, and must comply with those terms and conditions); or
(b) the Authority has not issued a direction to the licensee requiring the licensee not to exceed the maximum tariff cap during the period of 90 days beginning with the date of receipt of the application.

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

Special Condition 9.17 Entry Capacity and Exit Capacity obligations and methodology statements

Introduction

9.17.1 This condition places the following obligations on the licensee:

(a) to maintain and comply with an:
   i. Entry Capacity Substitution methodology statement;
   ii. Entry Capacity Transfer and Entry Capacity Trade methodology statement;
   iii. Exit Capacity Substitution methodology statement; and
   iv. Exit Capacity Revision methodology statement;
(b) to report to the Authority; and
(c) to publish the statements referred to in sub-paragraph (a).

9.17.2 This condition also sets out:

(a) the capacity-related objectives which the statements referred to in paragraph 9.17.1(a) must facilitate; and
(b) the process for the licensee to revise the statements referred to in paragraph 9.17.1(a).
Part A: The methodology statements

9.17.3 The licensee must have in place the following statements approved by the Authority:

(a) an Entry Capacity Substitution methodology statement;
(b) an Entry Capacity Transfer and Entry Capacity Trade methodology statement;
(c) an Exit Capacity Substitution methodology statement; and
(d) an Exit Capacity Revision methodology statement;

9.17.4 The statements required by paragraph 9.17.3 must facilitate the achievement of the capacity-related objectives set out in Part C.

Part B: Obligation to apply the methodologies in the methodology statements

9.17.5 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Entry Capacity Substitution methodology statement when carrying out Entry Capacity Substitution.

9.17.6 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Entry Capacity Transfer and Entry Capacity Trade methodology statement when carrying out Entry Capacity Transfer and Entry Capacity Trade.

9.17.7 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Exit Capacity Substitution methodology statement when carrying out Exit Capacity Substitution.

9.17.8 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Exit Capacity Revision methodology statement when carrying out Exit Capacity Revision.

Part C: Capacity-related objectives

9.17.9 The capacity-related objectives are:

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

(b) in so far as is consistent with sub-paragraph (a), ensuring that:

i. Entry Capacity Substitution is effected in a manner which seeks to minimise the need to make an application under Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable), taking into account the Entry Capacity that shippers and,
where relevant DN Operators, have indicated that they will require in the future through making a financial commitment to the licensee; and

ii. Exit Capacity Substitution is effected in a manner which seeks to minimise the need to make an application under Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable), taking into account the Exit Capacity that shippers and DN Operators have indicated that they will require in the future through making a financial commitment to the licensee;

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

(d) in so far as is consistent with sub-paragraph (a), avoiding material increases in the costs that are reasonably expected to be incurred by the licensee as a result of Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision, including Entry Capacity Constraint Management and Exit Capacity Constraint Management costs in respect of Obligated Entry Capacity and Obligated Exit Capacity previously allocated by the licensee to Relevant Shippers and, where relevant, to DN Operators; and

(e) in so far as is consistent with sub-paragraph (a) and, where relevant, sub-paragraphs (b), (c) and (d), facilitating effective competition between:
   i. Relevant Shippers, and where relevant, DN Operators; and
   ii. Relevant Suppliers.

Part D: Review and revision of the methodology statements

9.17.10 The licensee must, if so directed by the Authority, and in any event not less than once in every period of two Regulatory Years:

(a) review the statements referred to in paragraph 9.17.3 in consultation with:
   i. Relevant Shippers;
   ii. in relation to revisions concerning Exit Capacity Substitution or Exit Capacity Revision, DN Operators; and
   iii. any other interested parties; and

(b) notify the Authority of the outcome of its review.

9.17.11 Before revising a statement referred to in paragraph 9.17.3, the licensee must:

(a) provide a copy of the proposed revisions to the Authority and to any interested party who asks for one;

(b) consult for a period of not less than 28 days with the parties referred to in paragraph 9.17.10(a);
(c) during the period of 14 days beginning with the day after the date on which the consultation closes, submit to the Authority a report setting out:
   i. the revisions originally proposed;
   ii. any representations made and not withdrawn; and
   iii. any changes to the revisions proposed as a result of such representations; and
(d) submit to the Authority, alongside the report under sub-paragraph (c), a statement from an Independent Examiner:
   i. confirming that the Independent Examiner has carried out an examination, the scope and objectives of which were approved by the Authority; and
   ii. giving an opinion on whether the statement as revised would be consistent with the licensee’s duties under the Act and with the licensee’s obligations under this licence.

9.17.12 During the period of 56 days beginning with the date of receipt of the report and statement referred to in 9.17.11(c) and (d), the Authority will:
   (a) approve any revisions proposed by the licensee;
   (b) reject any proposed revisions; or
   (c) request more information from the licensee and approve or reject the proposed revisions within 28 days of receipt of information that the Authority considers satisfies its request.

9.17.13 Where the Authority takes no action under paragraph 9.17.12 the licensee may treat the proposed revisions as approved.

Part E: Licensee’s obligation to report to the Authority

9.17.14 The licensee must, by 31 May in each Regulatory Year, or by such later date as the Authority may direct, report to the Authority, in such format as the Authority directs, on:
   (a) the application, over the previous Regulatory Year, of the statements referred to in paragraph 9.17.3;
   (b) the licensee's view on the extent to which, over the previous Regulatory Year, the capacity-related objectives in Part C were achieved; and
   (c) the aggregate levels of change in capacity, over the previous Regulatory Year, as a result of Entry Capacity Transfer, Entry Capacity Trade, Entry Capacity Substitution, Exit Capacity Substitution and Exit Capacity Revision.

Part F: Licensee’s obligation to publish documents

9.17.15 The licensee must publish the current versions of the statements in paragraph 9.17.3 on its website.
Part G: Derogations

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

Special Condition 9.18 Methodology to determine the release of Entry Capacity and Exit Capacity volumes

Introduction

9.18.1 This condition places the following obligations on the licensee:

(a) to release Obligated Entry Capacity and Obligated Exit Capacity;
(b) to maintain and comply with capacity release methodology statements;
(c) to report to the Authority; and
(d) to publish the capacity release methodology statements.

9.18.2 This condition also sets out the process for the licensee to revise the capacity release methodology statements.

Part A: Release of Obligated Entry Capacity and Obligated Exit Capacity

9.18.3 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to release Obligated Entry Capacity at each NTS Entry Point in all available Allocations up to the end of the day to which the capacity relates, in accordance with the provisions of Standard Special Condition A5 (Obligations as Regard Charging Methodology).

9.18.4 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to release Obligated Exit Capacity at each NTS Exit Point in all available Allocations up to the end of the day to which the capacity relates, in accordance with the provisions of Standard Special Condition A5 (Obligations as Regard Charging Methodology).

Part B: Capacity release methodology statements

9.18.5 The licensee must have in place the following capacity release methodology statements approved by the Authority:

(a) an Entry Capacity release methodology statement; and
(b) an Exit Capacity release methodology statement.

9.18.6 The Entry Capacity release methodology statement must:

(a) set out how the licensee decides whether to make Incremental Entry Capacity available for sale to Relevant Shippers and, where relevant, DN Operators;
(b) set out how, where the licensee makes Incremental Entry Capacity available, the licensee decides what quantity to make available;
(c) unless the Authority otherwise directs, include a net present value test which includes the following parameters:

i. the net present value test is considered to have been passed if the outcome of the test is a figure greater than or equal to 0.5;

ii. cash flows are discounted by the social time preference rate that is published in accordance with “The Green Book: Central Government Guidance on Appraisal and Evaluation” as amended from time to time; and

iii. the net present value test is calculated over a period of 32 quarters;

(d) set out how the licensee offers for sale Obligated Entry Capacity to Relevant Shippers and, where relevant, DN Operators; and

(e) incorporate the obligation set out in paragraph 9.18.3.

9.18.7 The Exit Capacity release methodology statement must:

(a) set out how the licensee decides whether to make Incremental Exit Capacity available for sale to Relevant Shippers and DN Operators;

(b) set out where the licensee makes Incremental Exit Capacity available, how it decides what quantity to make available, and how much capacity is made available;

(c) set out how the licensee offers for sale Obligated Exit Capacity to Relevant Shippers and DN Operators; and

(d) incorporate the obligation set out in paragraph 9.18.4.

Part C: Obligation to apply the methodologies in the capacity release methodology statements

9.18.8 The licensee must use reasonable endeavours to apply the methodology in the Entry Capacity release methodology statement when:

(a) releasing Entry Capacity to Relevant Shippers and, where relevant, to DN Operators; and

(b) when offering for sale Obligated Entry Capacity to Relevant Shippers and, where relevant, DN Operators.

9.18.9 The licensee must use reasonable endeavours to apply the methodology in the Exit Capacity release methodology statement when:

(a) releasing Exit Capacity to Relevant Shippers and DN Operators; and

(b) when offering for sale Obligated Exit Capacity to Relevant Shippers and DN Operators.

Part D: Review and revision of the capacity release methodology statements

9.18.10 The licensee must, if so directed by the Authority, and in any event at least once in every period of two Regulatory Years:
(a) review the capacity release methodology statements required under Part B in consultation with:
   i. Relevant Shippers;
   ii. in relation to reviewing Exit Capacity release, DN Operators; and
   iii. any other interested parties; and

(b) notify the Authority of the outcome of its review.

9.18.11 Before revising a capacity release methodology statement, the licensee must:

(a) provide a copy of the proposed revisions to the Authority and to any interested party who asks for one;

(b) consult for a period of not less than 28 days with the parties referred to in paragraph 9.18.10(a);

(c) within 14 days of the close of the consultation, submit to the Authority a report setting out:
   i. the revisions originally proposed;
   ii. any representations made and not withdrawn; and
   iii. any change to the revisions proposed as a result of such representations; and

(d) submit to the Authority, alongside the report, a statement from an Independent Examiner:
   i. confirming that the Independent Examiner has carried out an examination, the scope and objectives of which were approved by the Authority; and
   ii. giving an opinion on whether the capacity release methodology statement as revised would be consistent with the licensee’s duties under the Act and with the licensee’s obligations under this licence.

9.18.12 During the period of 56 days beginning with the date of receipt of the report and statement referred to in 9.18.11(c) and (d), the Authority will:

(a) approve the revisions proposed by the licensee;

(b) reject the proposed revisions; or

(c) request more information from the licensee and approve or reject the proposed revisions within 28 days of receipt of information that the Authority considers satisfies its request.

9.18.13 Where the Authority takes no action under paragraph 9.18.12 the licensee may treat the proposed revisions as approved.

Part E: Licensee’s obligation to report to the Authority

9.18.14 The licensee must, at least once in each Regulatory Year, provide a report to the Authority on:

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
(a) the levels of:
   i. Obligated Entry Capacity that the licensee is required to release to Relevant Shippers and, where relevant DN Operators, at each NTS Entry Point; and
   ii. Obligated Exit Capacity that the licensee is required to release to Relevant Shippers and to DN Operators at each NTS Exit Point; and
(b) the Incremental Entry Capacity and Incremental Exit Capacity release requests, including requests resulting from PARCA applications, and the progress of those requests during the previous Regulatory Year.

Part F: Licensee's obligation to publish documents

9.18.15 The licensee must publish the current versions of the capacity release methodology statements required under Part B on its website.

Part G: Derogations

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

Special Condition 9.19 System Management Services

Introduction

9.19.1 The purpose of this condition is to require the licensee to have in place and maintain:
   (a) a Procurement Guidelines Document;
   (b) a System Management Principles Statement;
   (c) a System Management Services Adjustment Methodology; and
   (d) a statement that complies with the requirements under Part E in respect of that methodology.

Part A: General Duties under this Condition

9.19.2 The licensee must operate the pipeline system to which this licence relates in an efficient, economic and co-ordinated manner.

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

9.19.4 The licensee's obligations under paragraph 9.19.3 include an obligation to ensure that the following persons or undertakings also comply with the prohibitions imposed by that paragraph:
   (a) any Affiliate or Related Undertaking of the licensee; and
(b) any other business operated by the holder of this licence, or by any Affiliate or Related Undertaking of the licensee, under a licence under section 7 of the Act for a Relevant Gas Transporter.

**Part B: Procurement Guidelines Document**

9.19.5 The licensee must have in place before 1 April in each Regulatory Year, a Procurement Guidelines Document which sets out:

(a) the kinds of System Management Services that the licensee may be interested in purchasing during that Regulatory Year; and

(b) the mechanisms by which the licensee envisages purchasing, entering into agreements for the provision of, or otherwise acquiring those services.

9.19.6 The licensee must revise its Procurement Guidelines Document within the relevant Regulatory Year if its intentions in relation to the procurement of System Management Services change during that period.

9.19.7 During the first month of each Regulatory Year, the licensee must prepare a report, in a form approved by the Authority, about the System Management Services that the licensee has bought or acquired in the preceding Regulatory Year.

**Part C: System Management Principles Statement**

9.19.8 The licensee must have in place a System Management Principles Statement which sets out the principles and criteria by which the licensee will at different times and in different circumstances determine:

(a) which System Management Services the licensee will use to assist it in the operation of the NTS; and

(b) when and for what purpose the licensee would resort to measures not involving the use of System Management Services in the operation of the NTS.

9.19.9 The licensee must comply with the provisions of the System Management Principles Statement.

9.19.10 As soon as reasonably practicable after the end of each Regulatory Year, the licensee must prepare a report that:

(a) describes the manner in which, and the extent to which, the licensee has, during that year, complied with the provisions of the System Management Principles Statement; and

(b) states whether any modification should be made to that statement to reflect more closely the practice of the licensee.

9.19.11 The report must be accompanied by a statement from an Independent Examiner that:
(a) confirms that the Independent Examiner has carried out an investigation, the scope and objectives of which were established by the licensee and approved by the Authority; and

(b) gives the Independent Examiner’s opinion on the extent to which the licensee has complied with the provisions of the System Management Principles Statement.

9.19.12 The licensee may from time to time revise its System Management Principles Statement in accordance with the requirements under Part D.

**Part D: Procedure for revising the System Management Principles Statement**

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

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

9.19.15 During the period of 7 days beginning with the date on which the consultation is completed, the licensee must send to the Authority:

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

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

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

9.19.16 The licensee may revise the System Management Principles Statement only in accordance with any revision that falls within the statement of proposed revisions under paragraph 9.19.15(b), and only if the Authority consents to that revision.

**Part E: System Management Services Adjustment Methodology**

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

9.19.18 Where this Part applies, the licensee must have in place and comply with a System Management Services Adjustment Methodology approved by the Authority.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
9.19.19 The licensee must have in place a System Management Services Adjustment Methodology statement that contains a complete and fully documented explanation of its System Management Services Adjustment Methodology.

9.19.20 The licensee may from time to time revise its System Management Services Adjustment Methodology in accordance with the requirements of Part F.

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

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

9.19.22 Before revising its System Management Services Adjustment Methodology, the licensee must:

   (a) send a copy of its proposed revisions to the Authority and to any interested party who asks for a copy;
   
   (b) consult Gas Shippers and DN Operators and allow them a period of not less than 28 days in which to make representations; and
   
   (c) during the period of 7 days beginning with the date on which the consultation is completed, send to the Authority a report that sets out the revisions originally proposed, any representations received by the licensee that were not withdrawn, and any proposed changes to the original proposals.

9.19.23 The licensee must not revise its System Management Services Adjustment Methodology:

   (a) during the period of 28 days beginning with the date on which the Authority receives the report set out in paragraph 9.19.22(c);
   
   (b) if within that period the Authority directs the licensee not to make the revision; or
   
   (c) before any day specified by the Authority in a derogation that the licensee applied for under Part J.

**Part G: Availability of licensee’s statements and reports**

9.19.24 The licensee must:

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

**Part H: Exclusion of certain matters**

9.19.25 In complying with the requirements of paragraphs 9.19.24(b) and (c), the licensee must exclude, in so far as is reasonably practicable, any matter which relates to the affairs of a person where the publication of that matter would, or might, seriously and prejudicially affect their interests.

9.19.26 Any question arising under paragraph 9.19.25 as to whether the publication of some matter that relates to the affairs of a person would or might seriously and prejudicially affect their interests is to be determined by the Authority.

**Part I: Retention of particulars and records**

9.19.27 The licensee must maintain for a period of seven years:

(a) particulars of all System Management Services offered to it;

(b) particulars of all contracts for System Management Services that it has entered into;

(c) records of all System Management Services called for and provided; and

(d) records of the quantities of gas transported through the NTS.

**Part J: Derogations**

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

**Special Condition 9.20 Independent market for balancing**

**Introduction**

9.20.1 The purpose of this licence condition is to modify the standard special conditions in their application for the purposes of this licence.

**Part A: Modifications**

9.20.2 For the purposes of this licence Standard Special Condition A11 (Network Code and Uniform Network Code) is to be treated as including the following paragraphs after paragraph 22:

“22A. Where the network code makes provision for energy balancing by the licensee, as the energy balancing gas transporter, of the total system through a market established by the operator of the independent market for balancing (as such terms are defined in Standard Special Condition A16 (Independence of the Independent Market for Balancing)) then the following paragraphs 22B, 22C and 22D shall apply.”

“22B. The licensee must, in appointing any such operator as is mentioned in paragraph 22A, use all reasonable endeavours to appoint a person having:
(a) financial resources,
(b) skilled and experienced personnel, and
(c) systems
adequate to ensure that the market is conducted in an orderly and proper manner according to clear and fair rules with a clearing function that enables the licensee and relevant shippers to offset any sale to any one participant in the market against any equivalent purchase from that or any other participant in the market.”

“22C. The requirement in paragraph 22B will be treated as satisfied in respect of any appointment if the licensee appoints as operator of the independent market for balancing a person who, at the time of appointment, is:

(d) a person recognised by the Financial Conduct Authority under the Financial Services and Markets Act 2000 as an investment exchange; or
(e) a person designated by the Authority for the purposes of that paragraph and if that designation has not expired or been revoked.”

“22D. If a person appointed by the licensee in reliance on paragraph 22C ceases to be recognised as provided in sub-paragraph (a) or to be designated as provided in sub-paragraph (b) of that paragraph then the licensee must use all reasonable endeavours to terminate the appointment of that person and, if the licensee elects that the market operated by that person shall continue to be established, to appoint another person in place of the first person in accordance with paragraph 22B.”

Special Condition 9.21 Provision of information

Introduction

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

Part A: Licensee’s obligations under this condition

9.21.2 The licensee must use reasonable endeavours to publish information on its website as soon as reasonably practicable and which will provide:

(a) the key assumptions and analysis used by the licensee in its development of future energy scenarios;
(b) reports on the licensee’s view on what the outlook will be for the coming summer and winter (as appropriate) for gas, which include forecast levels of demand, forecast levels of supply, information on the NTS and the overall security of supply position; and
(c) Operational Data which will aim to reduce market uncertainty, increase transparency and give equal access for stakeholders to the information that is available.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Condition 9.22 Implementing and maintaining the Demand Side Response Methodology for use after a Gas Balancing Notification

Introduction

9.22.1 This condition sets out the licensee's obligations to:

(a) have in place and maintain the Demand Side Response Methodology for assessing and accepting Demand Side Response Offers;
(b) where directed by the Authority, run a trial of the Demand Side Response Methodology with any revisions proposed under paragraph 9.22.6(b); and
(c) following such a trial, send to the Authority a report on the outcome of the trial and a version of the Demand Side Response Methodology amended to address issues identified by the licensee during the trial and, if appropriate, containing any further proposed revisions to the Demand Side Response Methodology following conclusion of the trial.

Part A: The Demand Side Response Methodology

9.22.2 The licensee must have in place and maintain a Demand Side Response Methodology approved by the Authority.

9.22.3 The licensee must ensure that the Demand Side Response Methodology:

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

**Part B: Revising the Demand Side Response Methodology**

9.22.4 The licensee must, at least once in every period of two Regulatory Years, review, and if appropriate revise, the Demand Side Response Methodology in consultation with interested parties.

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

9.22.6 During the period of 7 days beginning with the date of completion of the consultation, the licensee must send to the Authority:

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

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

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

9.22.7 The Authority, within 28 days of receiving a report under paragraph 9.22.6(a) and a statement under paragraph 9.22.6(b), will:

(a) approve any proposed revisions;

(b) direct the licensee to conduct a trial of the revised Demand Side Response Methodology to assess the effectiveness of the methodology and any revisions proposed by the licensee under paragraph 9.22.6(b); or

(c) reject any proposed revisions.

9.22.8 In considering whether to approve the licensee’s proposed revisions to the Demand Side Response Methodology, the Authority will have regard to whether they are consistent with the objectives in paragraph 9.22.3.

**Part C: Trial and implementation**

9.22.9 Where the Authority directs the licensee to conduct a trial of the Demand Side Response Methodology comprising the proposed revisions as outlined in paragraph 9.22.7(b), the licensee must during the period of 28 days beginning with the last day of the trial submit to the Authority a report on the outcome of the trial, including any further proposed revisions (having regard to the outcome of the trial) to the Demand Side Response Methodology.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on. Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 24 July 2021
9.22.10 Following completion of the trial and during the period of 28 days beginning with the date of receipt of the submissions under paragraph 9.22.9, the Authority will:

(a) approve any proposed revisions and direct the licensee to:
   i. develop appropriate modifications to the Uniform Network Code and other processes and systems to enable it to implement the revisions to the Demand Side Response Methodology;
   ii. implement the revisions to the Demand Side Response Methodology as soon as is reasonably practicable and once the modifications, processes and systems under paragraph 9.22.10(a)(i) are complete; and
   iii. publish the final revised Demand Side Response Methodology on its website and in such other manner as the Authority may direct; or
(b) reject any proposed revisions to the Demand Side Response Methodology.

9.22.11 Where the Authority does not provide a direction under 9.22.7 or 9.22.10, the licensee must not implement the proposed revisions.

Part D: Exception to compliance with condition

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

9.22.13 The Authority may, having consulted with the licensee and interested parties, direct that the licensee must temporarily or permanently cease operation of the Demand Side Response Methodology.