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Chapter 1: Definitions
Special Condition 1A. Definitions

Introduction

1A.1 This condition sets out most of the defined words and expressions (most of which begin with capital letters) that are used in the Special Conditions, and gives their definitions next to them.

1A.2 But:

(a) Some words and expressions which are only used in a particular Special Condition are defined in that condition; and

(b) Some words and expressions used in the Special Conditions are defined in Standard Special Condition A3 (Definitions and Interpretation).

1A.3 Where a word or expression is defined both in this condition and in Standard Special Condition A3 (Definitions and Interpretation), the definition in this condition shall prevail.

Definitions in alphabetical order

1A.4 In the Special Conditions, unless the context otherwise requires:

**Agency Costs** means costs incurred, or expected to be incurred by the Licensee for the purposes of meeting its obligations under Standard Special Condition A15 (Agency).

**Aggregate Overrun** shall have the meaning given to the term “aggregate flat overrun” in the 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.

**Allowable NIA Expenditure** has the meaning given to that term in Part B of Special Condition 2E (The Network Innovation Allowance).

**Annual Application Window** has the meaning given to that term in the Network Code.

**Annual Iteration Process** means, in relation to the GT1 Price Control Financial Model, the process set out in Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model), which is to be read and given effect subject to any further explanation or elaboration within the GT1 Price Control Financial Handbook that may be applicable to it.

**Annual Invitation Period** has the meaning given to that term in the Network Code.
| **Average Specified Rate** | means the average value of the Bank of England’s Official Bank Rate during the period in respect of which the calculation in question falls to be made. |
| **Base NTS System Operation Revenue** | is derived from the formula set out in Part D of Special Condition 3A (Restriction of NTS System Operation Revenue). |
| **Base NTS Transportation Owner Revenue** | is derived from the formula set out in Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue). |
| **Capacity Methodology Statements** | means Entry Capacity and Exit Capacity methodology statements submitted to and approved by the Authority pursuant to Special Condition 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements). |
| **Capex Rolling Incentive** | means the mechanism giving rise to the baseline capital expenditure incentive revenue adjustment term, $C_{XIncRA_t}$ in Special Condition C8B (NTS transporter owner activity revenue restriction) of this licence in the form it was in on 31 March 2013. |
| **Carbon Benefits** | means a contribution to Government’s current strategy for reducing greenhouse gas emissions, as set out in the document entitled the “Carbon Plan” published by the Department of Energy and Climate Change. |
| **CDSP Costs** | means costs incurred, or expected to be incurred by the Licensee for the purposes of meeting its obligations under Standard Special Condition A15A (Central Data Services Provider) |
| **Clearing Allocation** | means in respect of an NTS Entry Point and period, an Allocation of Entry Capacity which either:
(a) results in all the Entry Capacity offered for sale being sold; or
(b) has a reserve price of zero. |
| **Constrained Storage Facility** | has the meaning given to that term in the Network Code. |
| **Contractual Delivery Date** | means the date at which the Licensee is contractually obliged to provide capacity which is set out in Part D or E of Special Conditions 5F (Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply) or Part D or E of Special Condition 5G (Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply). |
| **Customer** | for the purposes of Special Condition 2C (Stakeholder Satisfaction Output) means any Stakeholder who pays the Licensee through network charges or fees. |
Day has the meaning given to that term in the Network Code.

Directly Attributable Costs has the meaning given to that term in paragraph 2F.14 of Special Condition 2F (The Network Innovation Competition).

Disallowed Expenditure has the meaning given to that term in paragraph 2F.12 of Special Condition 2F (The Network Innovation Competition).

Disapplication Request means a request to disapply the Relevant SO Special Conditions and/ Relevant TO Special Conditions (in whole or in part) for the purposes of and in accordance with Special Condition 11A (Disapplication of Relevant Special Conditions).

Distribution Network means the relevant gas Distribution Network defined with reference to the aggregate of its constituent Local Distribution Zones (LDZs) (having the meaning given to that term in the Network Code) as set out in the table below:

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<td>North of England</td>
<td>Northern, North East</td>
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<td>East of England</td>
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<td>West Midlands</td>
<td>West Midlands</td>
</tr>
<tr>
<td>Wales &amp; West</td>
<td>Wales North, Wales South, South West</td>
</tr>
<tr>
<td>London</td>
<td>North Thames</td>
</tr>
<tr>
<td>South of England</td>
<td>South East, Southern</td>
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Distribution Network Transportation Activity means the activities of the Licensee connected with the development, administration, maintenance and operation of the Distribution Network and with the Supply of Distribution Network Services.

Eligible NIA Expenditure means the amount of expenditure spent or accrued by the Licensee in respect of Eligible NIA Projects and Eligible NIC Bid Preparation Costs and forms part of Allowable NIA Expenditure as set out in Part B of Special Condition 2E (The Network Innovation Allowance).

Eligible NIA Internal Expenditure means the amount of Eligible NIA Expenditure spent or accrued on the internal resources of the Licensee.

Eligible NIA Projects means those projects undertaken by the Licensee that appear to the Authority to satisfy such requirements of the NIA.
Governance Document as are necessary to enable the
projects to be funded under the provisions of Special
Condition 2E (The Network Innovation Allowance).

**Eligible NIC Bid Preparation Costs** means the amount of expenditure spent or accrued by the
Licensee when preparing submissions for the Network
Innovation Competition as defined in 2F (The Network
Innovation Competition) that satisfy such requirements of
the NIA Governance Document as are necessary to enable
the projects to be funded under the provisions of that
condition.

**Eligible NIC Project** means a project undertaken by the Licensee or any other gas
transporter Licensee that appears to the Authority to satisfy
such requirements of the NIC Governance Document as are
necessary to enable the project to be funded under the NIC
Funding Mechanism.

**Enhanced Physical Site Security Costs** means costs incurred, or expected to be incurred, by the
Licensee for the purposes of implementing any formal
recommendation or requirement of the Secretary of State to
enhance the physical security of any of the sites used in
connection with the pipeline system to which this licence
relates.

**Enhanced Security Costs** means costs incurred, or expected to be incurred, by the
Licensee for the purposes of implementing any formal
recommendation or requirement of the Secretary of State to
enhance the security of any of the IT systems required to
operate the pipeline system to which this licence relates.

**Entry Capacity** at an NTS Entry Point is capacity in the NTS which a
Relevant Shipper is treated as utilising in delivering gas to
the NTS (and the total system) at that point.

**Entry Capacity Substitution** means 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 9A (Entry
Capacity and Exit Capacity Obligations and Methodology
Statements).

**Entry Capacity Trade** means the process by which sold Firm Entry Capacity is
moved from one or more NTS Entry Points to meet the
demand for Firm Entry Capacity at another NTS Entry
Point, in accordance with the obligations set out in Special
Condition 9A (Entry Capacity and Exit Capacity Obligations and Methodology
Statements).

**Entry Capacity Transfer** means the process by which unsold Obligated Entry
Capacity is moved from one or more NTS Entry Points to
meet the demand for Firm Entry Capacity at another NTS
Entry Point where all Obligated Entry Capacity has been
sold, in accordance with the obligations set out in Special

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
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**Condition 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements).**

**Entry Lead Time** means the day which is 24 months from the first day of the next month following the date on which the allocation occurred.

**Examination** means an evaluation of the processes, procedures and outputs used by the Licensee to enable it to meet its obligation to apply a methodology in a manner that is consistent with its duties under the Act and its obligations under this licence.

**Excluded Services** has the meaning provided in Special Condition 11C (Services treated as Excluded Services).

**Exit Capacity** is capacity in the NTS which a Relevant Shipper or DN operator is treated as utilising in offtaking gas from the NTS at an NTS Exit Point.

**Exit Capacity Revision** means the process by which the level of Licence Baseline Exit Capacity is modified in accordance with the obligations set out in Special Condition 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements).

**Exit Capacity Substitution** means the process by which unsold Non-incremental Obligated Exit Capacity is moved from one or more NTS Exit Points to meet the demand for Incremental Obligated Exit Capacity at another NTS Exit Point in accordance with the obligations set out in Special Condition 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements).

**Exit Lead Time** means the day which is 24 months from the first day of the next month following the date on which the allocation occurred.

**Firm Entry Capacity** means Entry Capacity that provides users with a contractual right to flow onto the NTS and has the meaning given to that term in the Network Code.

**Firm Exit Capacity** means Exit Capacity that provides users with a contractual right to flow from the NTS and has the meaning given to that term in the Network Code.

**Formula Month** means a period commencing at 05:00 in the first day of a calendar month and ending at 05:00 on the first day of the subsequent calendar month.

**Formula Year** means a period of twelve months commencing on 1 April at 05:00 hours. The first such formula year (t=1) commenced on 1 April 2002 at 06:00 hours; from 1 April 2016, formula years will commence at 05:00 hours.

**Formula Year t** for the purposes of the Special Conditions in Chapters 4, 5 and 6, means the Formula Year in which the values for the terms MOD and SOMOD, calculated through a particular
Annual Iteration Process, are used in the formulae set out in Special Condition 2A (Restriction of NTS Transportation Owner Revenue) and Special Condition 3A (Restriction of NTS System Operation Revenue) respectively and references to Formula Year $t-1$ and Formula Year $t-2$ are to be construed accordingly.

**Funded Incremental Obligated Entry Capacity** means Incremental Obligated Entry Capacity for which the obligation to offer such capacity for sale commenced on or after 1 April 2013, which has not been provided through Entry Capacity Substitution and for which the Licensee has not received an additional funding allowance through Legacy Incremental Entry Capacity, the Funded Incremental Obligated Entry Capacity will be added to Licence Baseline Entry Capacity five years after the contractual delivery date.

**Funded Incremental Obligated Exit Capacity** means Incremental Obligated Exit Capacity for which the obligation to offer such capacity for sale commenced on or after 1 April 2013, which has not been provided through Exit Capacity Substitution and for which the Licensee has not received an additional funding allowance through Legacy Incremental Exit Capacity, the Funded Incremental Obligated Exit Capacity will be added to Licence Baseline Exit Capacity five years after the contractual delivery date.

**Funding Return** has the meaning given to that term in paragraph 2F.10 of Special Condition 2F (The Network Innovation Competition).

**Funding Return Mechanism** has the meaning given to that term in paragraph 2F.9 of Special Condition 2F (The Network Innovation Competition).

**Gas Transmission Group** means any group of NTS Operators in which the Licensee and every other NTS Operator within the group are Affiliates.

**Gas Year** means a period of twelve months commencing on 1 October at 05:00 hours.

**Generic Revenue Driver Methodology** means an approach to calculating revenue drivers for NTS Entry Points and NTS Exit Points, which will be approved by the Authority, published by the Licensee on its website and will be modified in accordance with the obligations set out in Special Condition 9C (Methodology to determine revenue drivers).

**Gigawatt Hour or GWh** means one million kilowatt hours.

**GT1 Price Control Financial Handbook** means the document of that name that was published by the Authority that includes specific information and advice about the operation of the Annual Iteration Process and the GT1 Price Control Financial Model; and contains, in
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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019

GT1 Price Control Financial Instruments means the GT1 Price Control Financial Handbook and the GT1 Price Control Financial Model.

GT1 Price Control Financial Methodologies means the methodologies that:

(a) are named as such in the GT1 Price Control Financial Handbook; and

(b) together comprise a complete and documented explanation of the methods, principles, and assumptions that the Authority will apply for the purposes of determining the PCFM Variable Values that are to be used in the Annual Iteration Process; as modified from time to time, whether under this condition or otherwise.

GT1 Price Control Financial Model means the model of that name (with a suffix referring to the month of November in Formula Year t-1 as that term is defined for the purpose of Special Condition 4A (Governance of GT1 Price Control Financial Instruments)) that was first published by the Authority on 1 February 2013 and came into effect on 1 April 2013:

(a) that is represented by a workbook in Microsoft Excel ® format maintained under that name (with the suffix referred to above) on the Authority’s Website; and

(b) that the Authority will use to determine the value of the terms MODt and SOMODt through the application of the Annual Iteration Process, as modified from time to time in accordance with the provisions of Special Condition 4A.

GT1 Price Control Financial Model Working Group means the working group identified in and whose terms of reference are set out in Chapter 1 of the GT1 Price Control Financial Handbook.

Halted Project Revenues has the meaning given to that term in paragraph 2F.11 of Special Condition 2F (The Network Innovation Competition).

High Quality Outcomes for the purposes of determinations made by the Authority pursuant to the provisions of Part B of Special Condition 2C (Stakeholder Satisfaction Outputs), “high quality outcomes” will be defined in the Stakeholder Engagement Reward Guidance in relation to the key areas of assessment set out in the Guidance for the Formula Year.

Incremental Entry Capacity means Firm Entry Capacity other than Non-incremental Obligated Entry Capacity.
| **Incremental Entry Capacity Services** | means the undertaking of engagements relating to the provision of Entry Capacity other than Non-incremental Obligated Entry Capacity. |
| **Incremental Exit Capacity** | means Firm Exit Capacity other than Non-incremental Obligated Exit Capacity. |
| **Incremental Exit Capacity Services** | means the undertaking of engagements relating to the provision of Exit Capacity other than Non-incremental Obligated Exit Capacity. |
| **Incremental Obligated Entry Capacity** | means the volume of Firm Entry Capacity which the Licensee is required to offer for sale at an NTS Entry Point following implementation of a proposal made by the Licensee in accordance with Part A of Special Condition 5F (Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply) that is above the Non-incremental Obligated Entry Capacity which is derived in accordance with the obligations set out in Special Condition 9B (Methodology to determine the release of Entry Capacity and Exit Capacity Obligations volumes). |
| **Incremental Obligated Exit Capacity** | means the volume of Firm Exit Capacity which the Licensee is required to offer for sale at an NTS Exit Point following implementation of a proposal made by the Licensee in accordance with Part A of Special Condition 5G (Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply) that is above the Non-incremental Obligated Exit Capacity which is derived in accordance with the obligations set out in Special Condition 9B (Methodology to determine the release of Entry Capacity and Exit Capacity Obligations volumes). |
| **Independent Examiner** | means a person or persons nominated by and independent of the Licensee with the skill and knowledge to undertake an examination. |
| **Independent System** | has the meaning given to the term “independent system” in Standard Special Condition A3 (Definitions and interpretation), except that, for the purposes of Special Condition 11F (Gas conveyed to Independent Systems) only, means those independent systems through which the gas conveyed to consumers consists wholly or mainly of LNG or LPG. |
| **Industrial Emissions Costs** | means costs incurred, or expected to be incurred, by the Licensee in relation to works triggered as a result of emissions related legislation, such as Directive 2008/1/EC of the European Parliament and of the Council of 15 January 2008 concerning integrated pollution prevention and control, and Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on |
industrial emissions (integrated pollution prevention and control).

**Innovation**
means any or all of the following:
(a) a specific piece of New Network equipment;
(b) a novel arrangement or application of new or existing Network Equipment;
(c) a novel operational practice; or
(d) a novel commercial arrangement, that is not, or is not within the scope of, an Ordinary Business Arrangement.

**Innovation Roll-out Costs**
means the proposed cost of Rolling-out a Proven Innovation.

**Interruptible Entry Capacity**
means Entry Capacity that may be subject to curtailment by the Licensee pursuant to the provisions relating to interruption under the Network Code.

**Kilowatt Hour or kWh**
means 3,600,000 Joules.

**Legacy Incremental Entry Capacity**
means Incremental Obligated Entry Capacity for which the obligation to offer such capacity for sale commenced before 1 April 2013, for which the Licensee receives a revenue entitlement in accordance with Appendix 2 of Special Condition 3A (Restriction of NTS System Operation Revenue) for a specified period of time.

**Legacy Incremental Exit Capacity**
means Incremental Obligated Exit Capacity for which the obligation to offer such capacity for sale commenced before 1 April 2013, for which the Licensee receives a revenue entitlement in accordance with Appendix 2 of Special Condition 3A (Restriction of NTS System Operation Revenue).

**Legacy Period**
means Formula Years prior to the Formula Year commencing on 1 April 2013.

**Legacy Permit Arrangements**
means the Permit Arrangements in force in this licence at 31 March 2013.

**Legacy Revenue Drivers**
means revenue drivers derived for the release of Legacy Incremental Entry Capacity and Legacy Incremental Exit Capacity in accordance with the revenue restrictions forming part of this licence in periods prior to 1 April 2013.

**Legacy TO Entry Capacity**
means the volume of Entry Capacity that the Licensee must offer for sale as set out in Table 8 of Special Condition 5F (Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply).

**Legacy TO Exit Capacity**
means the volume of Exit Capacity that the Licensee must offer for sale as set out in Table 10 of Special Condition 5G
( Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply).

**Licence Baseline Entry Capacity**

means the volume of Entry Capacity that the Licensee must offer for sale as of 1 April 2013 as set out in Table 6 of Special Condition 5F (Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply).

**Licence Baseline Exit Capacity**

means the volume of Exit Capacity that the Licensee must offer for sale as of 1 April 2013 as set out in Table 8 of Special Condition 5G (Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply).

**LNG**

means liquefied natural gas.

**LNG Storage Business**

has the meaning given in Special Condition 1B (Amendments to Standard Special Conditions relating to LNG) which amends Standard Special Condition A3 (Definitions and Interpretations).

**Locational Actions**

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. Locational buys will be treated as a cost to the Licensee and locational sells will be treated as a revenue.

**Logged Up Costs**

the total of the operating expenditure and the depreciation and return of the capital expenditure incurred by the Licensee in the period 1 April 2007 to 31 March 2013, and reported to the Authority in accordance with Standard Special Condition A40 (Price Control Review Information) in respect of Quarry and Loss of Development Claims and economic costs incurred by the Licensee for the purpose of implementing any recommendation or requirement to enhance the physical security of any of its sites.

**LPG**

means a mixture of hydrocarbon gases including propane and butane in accordance with BS EN 589:2004.

**Maximum NTS System Operation Revenue**

is derived in accordance with Part C of Special Condition 3A (Restriction of NTS System Operation Revenue).

**Maximum NTS Transportation Owner Revenue**

is derived in accordance with Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue).

**Methodology for Network Output Measures**

means the methodology that was in place under this licence under the name of “Network Output Measures methodology” in the form in which this licence was in force at 31 March 2013 or as subsequently amended as provided.
for in this condition Special Condition 7D (Methodology for Network Output Measures).

**Network Assets** means the assets that collectively form the pipeline system to which this licence relates, and includes the principal components of those assets.

**Network Equipment** means any asset that for the time being forms part of the pipeline system to which this licence relates and any control centre for use in conjunction therewith.

**Network Flexibility Costs** means costs incurred, or expected to be incurred, by the Licensee in relation to additional network investment required to continue to meet its 1 in 20 peak Day obligation in the safety case it has in place from time to time pursuant to the Gas Safety (Management) Regulations 1996.

**Network Innovation Allowance** has the meaning given to that term in 2E.1 of Special Condition 2E (The Network Innovation Allowance).

**Network Output Measures (NOMs)** has the meaning given to that term in paragraph 7D.4 of Special Condition 7D (Methodology for Network Output Measures).

**Network Replacement Outputs** means the asset health and criticality profile that the Licensee is required to deliver in its transportation system during the Price Control Period that has been approved as part of the price control review and funded in its opening base revenues, as measured by the Network Output Measures.

**New Network Equipment** means any new asset that does not yet form part of the pipeline system or control centre for use in conjunction therewith.

**NIA Governance Document** means the document issued by the Authority under Part D and in accordance with the requirements of Part E Special Condition 2E (The Network Innovation Allowance).

**NIA Percentage** means the percentage of allowed revenue Licensees may use for Eligible NIA projects set out in Appendix 1 of Special Condition 2E (The Network Innovation Allowance).

**NIC Funding** has the meaning given to that term in paragraph 2F.8 of Special Condition 2F (The Network Innovation Competition).

**NIC Funding Mechanism** has the meaning given to that term in paragraph 2F.7 of Special Condition 2F (The Network Innovation Competition).

**NIC Governance Document** means the document issued by the Authority under Part E of Special Condition 2F (The Network Innovation Competition), subject to the requirements of Part F of Special Condition 2F (The Network Innovation Competition).
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOMs Methodology</td>
<td>means the methodology for Network Output Measures.</td>
</tr>
<tr>
<td>NOMs Methodology Objectives</td>
<td>means the objectives set out in Part B of Special Condition 7D (Methodology for Network Output Measures).</td>
</tr>
<tr>
<td>Non-incremental Obligated Entry Capacity</td>
<td>is the sum of Licence Baseline Entry Capacity and Legacy TO Entry Capacity adjusted for Entry Capacity Substitution.</td>
</tr>
<tr>
<td>Non-incremental Obligated Exit Capacity</td>
<td>is the sum of Licence Baseline Exit Capacity and Legacy TO Exit Capacity adjusted for Exit Capacity Substitution.</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>NTS Entry Point</td>
<td>means an aggregate system entry point (having the meaning given to that term in the Network Code).</td>
</tr>
<tr>
<td>NTS Exit Point</td>
<td>has the meaning given to that term in the Network Code.</td>
</tr>
<tr>
<td>NTS SO Activity</td>
<td>shall have the meaning given to the term NTS System Operation Activity.</td>
</tr>
<tr>
<td>NTS SO Revenue</td>
<td>shall have the meaning given to the term NTS System Operation Revenue.</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 procuring and using of balancing services for the purpose of balancing the NTS and the arranging with the NTS TO Activity for the delivery of Incremental Entry Capacity and Incremental Exit Capacity, including:</td>
</tr>
<tr>
<td></td>
<td>(a) Incremental Entry Capacity Services;</td>
</tr>
<tr>
<td></td>
<td>(b) Incremental Exit Capacity Services;</td>
</tr>
<tr>
<td></td>
<td>(c) residual gas balancing services;</td>
</tr>
<tr>
<td></td>
<td>(d) balancing management;</td>
</tr>
<tr>
<td></td>
<td>(e) Constraint Management services; and</td>
</tr>
<tr>
<td></td>
<td>(f) the provision of services in relation to gas quality.</td>
</tr>
<tr>
<td>NTS System Operation Charges</td>
<td>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 Maximum NTS System Operation Revenue.</td>
</tr>
<tr>
<td>NTS System Operator</td>
<td>means the Licensee when carrying out an NTS System Operation Activity.</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 – 10 December 2019
**NTS System Operation Revenue**
means the revenue derived by the Licensee from the carrying on of the NTS SO Activity, such revenues to be measured on an accruals basis.

**NTS TO Activity**
shall have the meaning given to the term NTS Transportation Owner Activity.

**NTS TO Revenue**
shall have the meaning given to the term NTS Transportation Owner Revenue.

**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 Maximum NTS Transportation Owner Revenue.

**NTS Transportation Owner Revenue**
means the revenue derived by the Licensee from the Supply of NTS Services to Relevant Shippers and DN Operators in respect of the NTS Transportation Owner Activity (such revenue to be measured on an accruals basis).

**NTS Transportation Support Services**
means services rendered from either long run contracts at specific exit sites or from the Constrained Storage Facility at Avonmouth that are used as a substitute for capacity during periods of high demand to avoid constraints on the pipeline system to which this licence relates and allow the Licensee to meet its 1 in 20 peak Day obligation in the Safety case it has in place from time to time pursuant to the Gas Safety (Management) Regulations 1996.

**Obligated Entry Capacity**
is the sum of Non-incremental Obligated Entry Capacity, Funded Incremental Obligated Entry Capacity and Legacy Incremental Entry Capacity.

**Obligated Exit Capacity**
is the sum of Non-incremental Obligated Exit Capacity, Funded Incremental Obligated Exit Capacity and Legacy Incremental Exit Capacity.

**Off-peak Exit Capacity**
shall have the meaning given to the term Off-peak Daily NTS Exit (Flat) Capacity in the Network Code unless at an NTS Exit Point of type Interconnection Point, where it shall have the meaning given to the term Interruptible NTS Interconnection Point Capacity in the Network Code.

**On-the-day Commodity Market**
means the On-the-day Commodity Market in which Relevant Shippers and System Operator can buy and sell gas.

**One-off Asset Health Costs**
means costs incurred, or expected to be incurred, by the Licensee in relation to any single low probability high impact event (or series of low probability high impact events with a common trigger) not explicitly included
within the allowances provided for under the Special Conditions.

**Opening Base Revenue Allowance**

means the value of the base revenue determined by the Authority and as set out in Appendix 1 of Special Condition 2A (Restriction of NTS Transportation Owner Revenue).

**Ordinary Business Arrangement**

means any or all of the following:

(a) a specific piece of Network Equipment;
(b) an arrangement or application of Network Equipment;
(c) an operational practice; or
(d) a commercial arrangement,

that is being used or is capable of being used, without modification, by the Licensee or another gas transporter at the start of the Price Control Period.

**PARCA**

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

**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 the Uniform Network Code, European Interconnection Document, Section E.

**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.

**PCFM Variable Values**

A value held in a PCFM Variable Values Table for the Licensee, contained in the GT1 Price Control Financial Model:

(a) which is capable of being revised by a direction of the Authority following a determination under a relevant Special Condition; and

(b) whose revision does not constitute a modification to the GTA Price Control Financial model for the purposes of
Special Condition 4A (Governance of GT1 Price Control Financial Instruments).

**PCFM Variable Values Table**

means the table on the input sheet of the GT1 Price Control Financial Model for the Licensee which has:

(a) column headings for:

(i) PCFM Variable Value names;

(ii) Special Condition numbers;

(iii) unit designations; and

(iv) Formula Years;

(b) a row relating to each PCFM variable Value specified in this licence; and

(c) a range of blue coloured cells containing the PCFM Variable Values specified in this licence.

**Pension Scheme Administration**

has the meaning given in the Glossary of the GT1 Price Control Financial Handbook.

**Pension Scheme Established Deficit**

has the meaning given in the Glossary of the GT1 Price Control Financial Handbook.

**Pension Protection Fund**

has the meaning given in the Glossary of the GT1 Price Control Financial Handbook.

**Permit Arrangements**

means the arrangements set out in Special Condition 2D (Permit Arrangements for the provision of Incremental Capacity).

**Phase 1 PARCA Works Report**

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

**Physically Delivered**

means that date when the Licensee is first able to accept gas properly tendered for delivery by any Relevant Shipper at an NTS Entry Point or an NTS Exit Point; or the Authority has deemed (in response to a request made by a Relevant Shipper or the Licensee) that the capacity has been delivered.

**Pipeline Diversion Costs**

means costs incurred, or expected to be incurred, by the Licensee in relation to extant liabilities or other obligations to divert existing pipelines. Costs recoverable through this mechanism will be:

(a) those arising as a result of existing obligations/liabilities taken on by the Gas Council/ British Gas for which the Licensee is now responsible; and

(b) where the Licensee can demonstrate it has done everything in its powers to recover costs from the relevant party requesting the pipeline diversion.
Price Control Period means the period of eight Formula Years beginning on 1 April 2013 and ending on 31 March 2021 during which, subject to Special Condition 11A (Disapplication), the Special Conditions will have effect in this licence.

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.

Proven Innovation means an Innovation which the Licensee can demonstrate has been successfully trialled or demonstrated either on the pipeline system to which this licence relates or elsewhere.

Quarry and Loss Development Claims means costs incurred, or expected to be incurred, by the Licensee in relation to settling any claims which have been demonstrably challenged by the Licensee as far as is reasonable regarding both the basis of the claim and the quantum of the compensation sought. For avoidance of doubt the following claims under the terms of the Deed of Easement or Deed of Servitude are included:

(a) loss of crop and drainage;
(b) loss of land development (including in relation to housing and quarrying);
(c) sterilised minerals;
(d) landfill and tipping; and
(e) power generation.

Rechargeable Diversions means mains decommissioned or replaced at the request of a party other than the Licensee and where the cost of the work is recovered or is expected to be recovered from that party (or another) by the Licensee.

Regulatory Asset Value (RAV) has the meaning given to that term in the Glossary of the GT1 Price Control Financial Handbook.

Relevant SO Special Conditions means Special Condition 3A (Restriction of NTS System Operation Revenue), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 3A to which a Disapplication Request under Special Condition 11A (Disapplication of Relevant Special Conditions) relates.

Relevant TO Special Conditions means Special Condition 2A (Restriction of NTS Transportation Owner Revenue), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 2A to a Disapplication Request under Special Condition 11A (Disapplication of Relevant Special Conditions) relates.

Replacement Priority means the category assigned to an asset to prioritise the requirement for intervention (replacement, refurbishment or
reconditioning) based on a measure of its asset health and criticality in terms of consequences of failure.

**Residual Gas Balancing Services** means the undertaking of engagements relating to the acquisition or disposal of gas to ensure the safe and efficient operation of the transportation system.

**Retail Prices Index** means:

(a) the general index of retail prices published by the Office for National Statistics each month in respect of all items; or

(b) if that index in respect of any month relevant for the purposes of the Special Conditions has not been published, such price index as the Authority may, after consultation with the Licensee, determine to be appropriate in the circumstances; or

(c) if there is a material change in the basis of that index, such other index as the Authority may, after consultation with the Licensee, determine to be appropriate in the circumstances.

**Retail Prices Index Forecast Growth Rate** means:

(a) the growth rate (for the avoidance of doubt the growth rate is presented as a percentage) as defined as the “New forecasts (marked *)” in the HM Treasury “Forecasts for the UK Economy” publication, published in the November of each year; or

(b) if that index in respect of any year has not been published, such index as the Authority may, after consultation with the Licensees, determine to be appropriate in the circumstances; or

(c) if there is a material change in the basis of that index, such other index as the Authority may, after consultation with the Licensees, determine to be appropriate in the circumstances.

**Returned Project Revenues** has the meaning given to that term in Part C of Special Condition 2F (The Network Innovation Competition).

**Returned Royalty Income** has the meaning given to that term in paragraph 2F.13 of Special Condition 2F (The Network Innovation Competition).

**RIIO Principles** means the principles for the assessment of business plans set out in the document entitled “Decision on strategy for the next transmission price control” (Ref 47/11) published on 31 March 2011.

**Roll-out** means the incorporation of a Proven Innovation into an Ordinary Business Arrangement.
SO Opening Base Revenue Allowance means the value of the base revenue determined by the Authority and as set out in Appendix 1 of Special Condition 3A (Restriction of NTS System Operation Revenue).

Special Conditions means the Special Conditions in Part C of Part IV of this licence.

Specified Information has the meaning given in Standard Special Condition A40 (The Regulatory Instructions and Guidance).

Stakeholder for the purposes of Special Condition 2C (Stakeholder Satisfaction Outputs) refers to the general body of persons (including but not limited to Customers or other actual users of the Licensee’s network) who are affected by or have an interest in the Licensee’s operations.

Stakeholder Engagement Reward means the reward provided for in Part B of Special Condition 2C (Stakeholder Satisfaction Output).

Statutory Network Security Standard has the meaning given to the term “Gas Security Standard” as defined in Standard Special Condition A9 (Pipe-line System Security Standards).

Subscript \(d\) means the relevant Day. \(d=1\) refers to the Day commencing at 06:00 on 1 April 2013; from 1 October 2015 Days will commence at 05:00.

Subscript \(m\) means the relevant Formula Month. \(m=1\) refers to the Formula Month commencing at 06:00 on 1 April 2013; from 1 October 2015 Formula Months will commence at 05:00.

Subscript \(n\) means the day relevant for the purposes of determining the Licensee’s Permit Arrangements. \(n=1\) refers to the day commencing at 06:00 on 1st April 2013; from 1 October 2015 days will commence at 05:00.

Subscript \(t\) subject to the definition for “Formula Year \(t\)” above, means the relevant Formula Year. \(t=1\) refers to the Formula Year commencing at 06:00 on 1st April 2013; from 1 October 2015 Formula Years will commence at 05:00.

Supply of Distribution Network Services means the undertaking and performance for gain or reward of engagements:

(a) in connection with the conveyance of gas through the Distribution Network;

(b) for the prevention of the escape of gas which has been taken off the Distribution Network; and

(c) relating to the acquisition of capacity rights, gas or gas derivatives for the purpose of:

(d) the balancing of the Distribution Network through the acquisition or disposal of gas to replace gas lost from the Distribution Network; and
(e) facilitating Constraint Management.

**Supply of LNG Storage Services** has the meaning given in Special Condition 1B (Amendments to Standard Special Conditions relating to LNG) which amends Standard Special Condition A3 (Definitions and Interpretations).

**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 SO activity; and

(b) for the prevention of the escape of gas, which has been taken off the NTS, other than to the Distribution Network or any pipe-line 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.

**Time Value of Money Adjustment** has the meaning given to that term in the Glossary of the GT1 Price Control Financial Handbook.

**TO Totex Incentive Mechanism** has the meaning given to those terms in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.

**Totex** has the meaning given to that term in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.

**Totex and SO Totex** have the meanings given to those terms in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.

**Totex and TO Totex** have the meanings given to those terms in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.

**Totex Capitalisation Rate** has the meaning given in the glossary of the GT1 Price Control Financial Handbook.

**Totex Incentive Mechanism** has the meaning given to that term in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.

**Totex Incentive Mechanism Adjustment** has the meaning given to that term in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.

**Totex Incentive Strength Rate** means the incentive rate for the Licensee set out in Appendix 1 to Special Condition 5B (Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – NTS Transportation Owner and Special Condition 6B (Determination of PCFM Variable Values for...
Transportation System means the system (having the meaning given to that term in the Network Code) to which this licence relates.

Unrecoverable Expenditure means expenditure on a NIA project which the Authority has determined does not satisfy the requirements of the NIA Governance Document.

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

Vanilla Weighted Average Cost of Capital has the meaning given to that term in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.

Zero Licence Baseline Capacity Entry Point means an NTS Entry Point at which there is zero Licence Baseline Entry Capacity and which, as a result, does not give rise to any funding allowance, or revenue driver.

Zero Licence Baseline Capacity Exit Point means an NTS Exit Point at which there is zero Licence Baseline Exit Capacity and which, as a result, does not give rise to any funding allowance, or revenue driver.

Zero Licence Baseline Entry Capacity Table means a table called the “Zero Licence Baseline Entry Capacity Table” contained in a document called the “Long Term Summary Report” which is published by the Licensee on its website.

Zero Licence Baseline Exit Capacity Table means a table called the “Zero Licence Baseline Exit Capacity Table” contained in a document called the “Long Term Summary Report” which is published by the Licensee on its 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 – 10 December 2019
Special Condition 1B. Amendments to Standard Special Conditions relating to LNG

1. Amendments to Standard Special Condition A3 (Definitions and Interpretation)

Standard Special Condition A3 (Definitions and Interpretation) shall be amended by the addition of the following definitions which shall, where stated or where the context requires, replace or amend the relevant definition contained in Standard Special Condition A3 (Definitions and Interpretation) in this licence as follows:
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“competition in relation to the storage of gas in LNG storage facilities”</td>
<td>means effective competition in or to the storage service offered by the LNG storage facilities, taking account of the provision by other persons of goods or services of equivalent purpose or effect to such storage (including where appropriate supplies of peak gas and the interruption of supplies to customers in accordance with their terms of supply);”</td>
</tr>
<tr>
<td>“LNG”</td>
<td>means liquefied natural gas;”</td>
</tr>
<tr>
<td>“LNG storage arrangements”</td>
<td>means arrangements whereby gas shippers and/or DN Operators may, from time to time and in different cases and circumstances, have gas stored in the LNG storage facilities;”</td>
</tr>
<tr>
<td>“LNG storage business”</td>
<td>means the activities of the licensee connected with the development, administration, maintenance and operation of the LNG storage facilities by the licensee for the storage of gas in Great Britain and with the supply of LNG storage services relating to those facilities;”</td>
</tr>
<tr>
<td>“LNG storage facilities”</td>
<td>means containers for the storage of LNG operated by the licensee and any other facilities used by the licensee in connection with the storage of LNG in Great Britain which both are operated by the person who holds this licence and were so operated at a time during the period of 12 months ending with 1 March 1996;”</td>
</tr>
</tbody>
</table>
“permitted purpose” means the purpose of all or any of the following:

(a) the transportation and LNG storage business and LNG import or export facilities activities where applicable;

(b) the metering business;

(c) the meter reading business;

(d) any other business or activity within the limits of paragraph 4 of Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing); and/or

without prejudice to the generality of paragraph (a) to (d), any payment or transaction lawfully made or undertaken by the licensee for a purpose within sub-paragraphs 1(b)(i) to (vii) of Standard Special Condition A39 (Indebtedness);”

“supply of LNG storage services” means the undertaking and performance for gain or reward of engagements in connection with the storage of gas in the LNG storage facilities;”

“transportation and LNG storage business” means the transportation business and the LNG storage business but excluding, for the avoidance of doubt, the metering business and the meter reading business;”

2. Amendments to Standard Special Condition A4 (Charging – General)

Standard Special Condition A4 (Charging – General) shall be amended by:-

(a) the insertion of the following in paragraphs 6, 7, 9 and 10 in substitution for the words “NOT USED”:

“6. In any case in which the licensee is willing to enter into LNG storage arrangements -

(a) if the charges in pursuance of those arrangements are not governed by the methodology established under paragraph 5, the licensee shall avoid any undue preference or undue discrimination in the terms on which it enters into such arrangements; and

(b) if either those charges or any charges made in pursuance of transportation arrangements other than LNG storage arrangements are not governed as aforesaid, the licensee shall ensure so far as is reasonably practicable, that no unjustified cross-subsidy is involved between the terms on which it enters into the LNG storage arrangements and those on which it enters into other transportation arrangements.”
“7. Any question which arises under paragraph 6 as to whether a cross subsidy is unjustified, shall be determined by the Authority.”

“9. In this condition “transportation arrangements” shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that for the purposes of this condition shall also include LNG storage arrangements.”

“10. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and the Authority’s view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 9, then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose and the reference thereto in the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and Interpretation) shall cease to have effect.”;

(b) the addition of the words “subject to any amendments made by paragraph 9 hereof,” at the beginning of the definition of “transportation arrangements” in paragraph 11.

3. **Amendments to Standard Special Condition A5 (Obligations as Regard Charging Methodology)**

Standard Special Condition A5 (Obligations as Regard Charging Methodology) shall be amended by:

(a) in addition to the definition set out in paragraph 11, the insertion of the following definition after “In this condition:”

“transportation business” shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) but for the purposes of this condition shall also include the LNG Storage Business.

(b) the insertion of the following new paragraph 12:

“12. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of the definition of “transportation business” from paragraph 11, then the definition shall be omitted with effect from a date specified in a notice published by the Authority for that purpose and the definition of “transportation business” in Standard Special Condition A3 (Definitions and Interpretation) shall apply to this condition save that the reference to this condition in the definition of “transportation business” in
4. **Amendments to Standard Special Condition A6 (Conduct of Transportation Business)**

Standard Special Condition A6 (Conduct of Transportation Business) shall be amended by:

a) the insertion of the words “LNG storage arrangements,” at the start of paragraph 2(a); and

b) the insertion of the following in paragraph 3 in substitution for the words “NOT USED”:

“If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of the reference to LNG storage arrangements in paragraph 2(a) then the reference shall be omitted with effect from a date specified in a notice published by the Authority for that purpose; and the definition of “transportation business” contained in Standard Special Condition A3 (Definitions and Interpretation) shall apply to this condition subject to any amendments made by the remaining sections of paragraph 2.”

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

Standard Special Condition A7 (Requirement to Enter into Transportation Arrangements in Conformity with the Network Code) shall be amended by the insertion of the following in paragraphs 2 and 3 in substitution for the words “NOT USED”:

“2. In this condition “transportation arrangements” shall have the meaning given in Standard Special Condition A3 (Definition and Interpretation) save that for the purposes of this condition it shall also include LNG storage arrangements.”

“3. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 2, then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose; the definition of “transportation arrangements” contained in Standard Special Condition A3 shall apply to this condition; and the reference to this condition in the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and interpretation) shall cease to have effect”.

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 – 10 December 2019

Standard Special Condition A11 (Network Code and Uniform Network Code) shall be amended by the insertion of the following in paragraphs 20 and 21 in substitution for the words “NOT USED”:

“20. In this condition “transportation arrangements” shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that for the purposes of this condition it shall also include LNG storage arrangements.”

“21. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 20 then the paragraph shall be omitted with effect from a date specified in a notice published by the Authority for that purpose; the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and Interpretation) shall apply to this condition; and the reference to this condition in the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and Interpretation) shall cease to have effect.”

7. **Amendments to Standard Special Condition A27 (Disposal of Assets)**

Standard Special Condition A27 (Disposal of Assets and restrictions on charges over Receivables) shall be amended by:

(a) the insertion of the following definition of LNG storage asset in paragraph 12 between the definitions of “disposal” and “receivable”:

| “LNG storage asset” | means any of the LNG storage facilities or anything used by the licensee in connection with the provision of such facilities; |

(b) the insertion of the words “any LNG storage asset and/or” after the word “means” in the definition of “transportation asset” in paragraph 12; and

(c) inserting the following new paragraph 13,

“13. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities, considers it appropriate that this condition should be modified by the omission of the definition of “LNG storage asset” from paragraph 12 and the words “any LNG storage asset and” where they occur in paragraph 12 of this condition then these omissions shall be made with effect from a date specified in a notice published by the Authority for that purpose.”

8. **Amendments to Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business)**
Standard Special Condition A33 (Restriction on Use of Certain Information and Independence of the Transportation Business) shall be amended:

(a) by the insertion of the words “LNG storage business and” between the words “also includes the licensee’s” and “metering business other than its meter-related services business” in the definition of “transportation business” in paragraph 1; and

(b) by the insertion of the following new paragraph 10:

“10. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of the reference to “LNG storage business” in the definition of “transportation business” in paragraph 1 of this condition, then that reference shall be omitted with effect from a date specified in a notice published by the Authority for that purpose.”

9. Amendments to Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing)

Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing) shall be amended by:

(a) the insertion of “the LNG storage business and LNG import or export facilities activities,” after the words “the transportation business,” in paragraph 4(b)(i); and

(b) by the insertion of the following new paragraph 7:

“7. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of the reference to “LNG storage business and LNG import or export facilities activities” in paragraph 4(b)(i) and should be construed as if the definition of “permitted purpose” made no reference to “LNG storage business and LNG import or export facilities activities”, then for the purpose of this condition, that reference shall be omitted and the definition of “permitted purpose” shall be so construed with effect from a date specified in a notice published by the Authority for that purpose.”

10. Amendments to Standard Special Condition A37 (Availability of Resources)

Standard Special Condition A37 (Availability of Resources) shall be amended by the following:

(a) throughout the condition by the substitution of the words “transportation and LNG storage business” for the words “transportation business”; and

(b) by the addition of the following in paragraph 17 in substitution for the words “NOT USED”:
“If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities, considers it appropriate that this condition should be construed as if the definition of “the transportation and LNG storage business” made no reference to the “LNG storage business” then for the purpose of this condition, with effect from the date specified in a notice published by the Authority for that purpose, the definition of “the transportation and LNG storage business” shall be so construed and shall be treated as being the “transportation business” only.”

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

Standard Special Condition A41 (Emergency Services to or on Behalf of Another Gas Transporter) shall be amended, at paragraph 3, by the substitution of the words “transportation and LNG storage business” for the words “transportation business” where they appear after the words “for the purposes of its”.

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
Special Condition 1C. NTS definition of supply of transportation services

Amendments to Standard Special Condition A3 (Definitions and Interpretation)

1. The definition of “supply of transportation services” in Standard Special Condition A3 (Definitions and Interpretation) shall be amended by the substitution of the following words in sub-paragraph (c) (i) for the existing wording in that paragraph:

“(i) facilitating balancing management; and”
Special Condition 1D. Charging obligations

1. Amendments to Standard Special Condition A4 (Charging - General)

Standard Special Condition A4 (Charging – General) shall be amended by:

(a) the insertion of the words “and/or DN operators as appropriate” after “specified descriptions of gas shippers” in sub-paragraph (a) of paragraph 1; and

(b) in paragraph 2, the insertion of the following at sub-paragraphs (a) and (b) in substitution for the words “NOT USED”:

“(a) use its reasonable endeavours:

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

(ii) not to make any changes to charges or reserve prices in relation to NTS exit capacity (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 by notice in writing 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 sub-paragraphs (a) (i) and (a) (ii), inform the Authority in writing as soon as is reasonably practicable after the decision is made to make such a change to charges, and, in any event, not later than three months after the charge change has been implemented:

(i) stating the reasons for this change; and

(ii) clearly identifying whether any of the information provided as part of the statement of reasons for the change is of a confidential nature;”
2. **Amendments to Standard Special Condition A5 (Obligations as Regard Charging Methodology)**

Standard Special Condition A5 (Obligations as Regard Charging Methodology) shall be amended by:-

(a) in paragraph 2A, the insertion of the following in sub-paragraph (b) in substitution for the words “NOT USED”:

“(b) use its reasonable endeavours:

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

(ii) only to make changes to the charging methodology in relation to NTS exit capacity (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 by notice in writing direct”

(b) In paragraph 11:

(i) the deletion of “and” at the end of the “transportation arrangements” definition;

(ii) the deletion of “thereof.” and replacement by “thereof; and” at the end of the “supply of transportation services” definition;
Chapter 2: NTS Transportation Owner – Revenue restriction
Special Condition 2A. Restriction of NTS Transportation Owner Revenue

Introduction

2A.1 The purpose of this condition is as follows:
(a) to establish the charging restrictions that determine the level of Maximum NTS Transportation Owner Revenue that may be recovered by the Licensee through NTS Transportation Owner Charges; and
(b) to set out the obligations of the Licensee in respect of those restrictions.

Part A: Licensee’s obligation

2A.2 The Licensee, in setting NTS Transportation Owner Charges, must use its best endeavours to ensure that, in Formula Year t, NTS Transportation Owner Revenue (TOR_{t}) does not exceed Maximum NTS Transportation Owner Revenue (MR_{t}).

Part B: Calculation of NTS Transportation Owner Revenue (TOR_{t})

2A.3 For the purposes of Part A of this condition, the NTS Transportation Owner Revenue in respect of Formula Year t is derived in accordance with the following formula:
TOR_{t} = TOREntC_{t} + TORExC_{t} + TORCOM_{t}

2A.4 In the above formula for TOR_{t}:
TOREntC_{t} means that amount of NTS TO Revenue in respect of Formula Year t 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).

TORExC_{t} means that amount of NTS TO Revenue in respect of Formula Year t 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 that amount of NTS TO Revenue in respect of Formula Year t that results from:
(a) charges levied by the Licensee on Gas Shippers and DN Operators pursuant to Standard Special Condition A4 (Charging – General); or
(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: Calculation of Maximum NTS Transportation Owner Revenue (MR_t)**

2A.5 Maximum NTS Transportation Owner Revenue, in Formula Year t, is derived in accordance with the following formula (in this condition, the “Principal Formula”):

\[ MR_t = BR_t + PT_t + OIR_t + NIA_t + NICF_t - K_t \]

2A.6 In the Principal Formula:

- **MR_t** means the amount of Maximum NTS Transportation Owner Revenue in Formula Year t.
- **BR_t** means the amount of Base NTS Transportation Owner Revenue in Formula Year t as derived in accordance with the formula set out in Part D of this condition.
- **PT_t** means the allowed pass-through items revenue adjustment made in Formula Year t as derived in accordance with Special Condition 2B (Calculation of allowed pass-through items).
- **OIR_t** means the output incentive revenue adjustment made in Formula Year t as derived in accordance with the formula set out in Part E of this condition.
- **NIA_t** means the revenue adjustment made in Formula Year t in respect of the Network Innovation Allowance as derived in accordance with Special Condition 2E (The Network Innovation Allowance).
- **NICF_t** means the revenue adjustment made in Formula Year t in respect of the allowance given under the Network Innovation Competition as derived in accordance with Special Condition 2F (The Network Innovation Competition).
- **K_t** means the correction term revenue adjustment in Formula Year t as derived in accordance with the formula set out in Part F of this condition.

**Part D: Calculation of Base NTS Transportation Owner Revenue (BR_t)**

2A.7 For the purposes of the Principal Formula, BR_t is derived in accordance with the following formula:

\[ BR_t = (PU_t + MOD_t + TRU_t) \times RPIF_t \]

2A.8 In the above formula for BR_t:

- **PU_t** means the amount set out against the Licensee’s name in Appendix 1 of this condition and represents the Opening Base Revenue Allowance in Formula Year t determined by the Authority in relation to the NTS Transportation Owner Activity.
- **MOD_t** has the value zero in Formula Year 2013/14 and in each subsequent Formula Year t from the Licensee’s Opening Base Revenue Allowance as derived in accordance with the Annual Iteration Process set out in Parts A and B.
of Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model).

\( TRU_t \) has the value zero in Formula Year 2013/14 and in each subsequent Formula Year means the NTS Transportation Owner Revenue adjustment made in Formula Year \( t \) in respect of the actual value of the Retail Prices Index in Formula Year \( t-2 \) minus the assumed value of the Retail Prices Index in Formula Year \( t-2 \), as derived in accordance with paragraph 2A.10 of this condition.

\( RPIF_t \) is the price index adjustment factor in Formula Year \( t \) as derived in accordance with paragraph 2A.9 of this condition.

2A.9 For the purposes of paragraph 2A.7 of this condition, \( RPIF_t \) is derived in accordance with the following formula:

\[
RPIF_t = RPIA_{t-2} \times (1 + GRPIF_{t-1}) \times (1 + GRPIF_t)
\]

where:

\( RPIA_t \) means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from 1 April to 31 March in Formula Year \( t \) divided by the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from 1 April 2009 to 31 March 2010 as derived in accordance with the following formula:

\[
RPIA_t = \frac{RPI_t}{RPI_{2009/10}}
\]

where:

\( RPI_t \) means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from 1 April to 31 March in Formula Year \( t \).

\( RPI_{2009/10} \) means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from 1 April 2009 to 31 March 2010.

and:

\[
GRPIF_t = (0.75 \times GRPIF_c) + (0.25 \times GRPIF_{c+1})
\]

\[
GRPIF_{t+1} = (0.75 \times GRPIF_{c-1}) + (0.25 \times GRPIF_c)
\]

where:

\( GRPIF_c \) means the Retail Prices Index Forecast Growth Rate for calendar year \( c \), where \( c \) denotes the calendar year in which Formula Year \( t \) begins and the expressions \( c-1 \) and \( c+1 \) should be interpreted accordingly. In each such case, the Retail Prices Index Forecast Growth Rates for calendar year \( c-1 \), \( c \) and \( c+1 \) are taken from the November edition of the HM Treasury publication “Forecasts for the UK Economy”, in Formula Year \( t-1 \), subject to the Authority’s power to determine otherwise.

2A.10 For the purposes of paragraph 2A.7 of this condition, \( TRU_t \) is derived in accordance with the following formula:
TRU_t = \left( \frac{RPIA_{t-2} - RPIF_{t-2}}{RPIA_{t-2}} \right) \times REV_{t-2} \times PVF_{t-2} \times PVF_{t-1}

2A.11 In the above formula for TRU_t:

REV_{t-2} means the amount (in 2009/10 prices), for Formula Year t-2, of the combined value of all Special Condition revenue adjustments that are indexed by the Retail Prices Index as derived in accordance with the formula in paragraph 2A.12 or 2A.13 of this condition.

PVF_t means the present value adjustment term for Formula Year t and will be calculated as one plus the Vanilla Weighted Average Cost of Capital as derived by the Authority in accordance with the Annual Iteration Process, and the expressions PVF_{t-1} and PVF_{t-2} will be interpreted accordingly.

2A.12 For the purposes of paragraph 2A.10 of this condition, subject to paragraph 2A.13, REV_{t-2} is derived in accordance with the following formula:

\[
REV_{t-2} = \frac{BR_{t-2} + RB_{t-2} + LF_{t-2} + OPTC_{t-2} + PA_{t-2}}{RPIF_{t-2}} - ISE_{t-2}
\]

where:

BR_{t-2} means the amount of Base NTS Transportation Owner Revenue in Formula Year t-2 as derived in accordance with the formula set out in paragraph 2A.7 of this condition.

RB_{t-2} means the amount of the business rates adjustment in Formula Year t-2 as derived in accordance with Part B of Special Condition 2B.

LF_{t-2} means the amount of the licence fee adjustment in Formula Year t-2 as derived in accordance with Part C of Special Condition 2B.

OPTC_{t-2} means the amount of the policing cost adjustment in Formula Year t-2 as derived in accordance with Part D of Special Condition 2B.

ISE_{t-2} means the amount of the Independent Systems allowance in Formula Year t-2 as set out in Appendix 3 of Special Condition 2B.

PA_{t-2} means the permits revenue adjustment made in Formula Year t-2 as derived in accordance with Special Condition 2D (Permit Arrangements for the provision of incremental capacity).

2A.13 For the purposes of paragraph 2A.10 of this condition, in Formula Year 2014/15 REV_{t-2} is derived in accordance with the following formula:

\[
REV_{t-2} = \frac{TOZ_{t-2} - TOZA_{t-2}}{RPIF_{t-2}} + CxIncRA_{t-2} - TORB_{t-2} - TOLA_{t-2}
\]

where:
TOZ\textsubscript{t-2} means, in respect of the Formula Year commencing 1 April 2012, the base NTS TO revenue as derived in accordance with paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) of this licence in the form in which it was in force at 31 March 2013.

TOZA\textsubscript{t-2} means, in respect of the Formula Year commencing 1 April 2012, the base NTS TO revenue adjustment term in respect of the Milford Haven pipe-line project as derived in accordance with paragraph 3(a) of Special Condition C8B of this licence in the form in which it was in force at 31 March 2013.

CxIncRA\textsubscript{t-2} means, in respect of the Formula Year commencing 1 April 2012, the baseline capital expenditure incentive revenue as derived in accordance with paragraph 3(c) of Special Condition C8B of this licence in the form in which it was in force at 31 March 2013.

TORB\textsubscript{t-2} means, in respect of the Formula Year commencing 1 April 2012, the NTS prescribed rates allowance as represented by the amount set out in paragraph 3(b) of Special Condition C8B of this licence in the form in which it was in force at 31 March 2013.

TOLA\textsubscript{t-2} means, in respect of the Formula Year commencing 1 April 2012, the licence fee payments allowance as represented by the amount set out in paragraph 3(b) of Special Condition C8B of this licence in the form in which it was in force at 31 March 2013.

Part E: Calculation of the outputs incentive revenue adjustment (OIR\textsubscript{t})

2A.14 For the purposes of the Principal Formula, OIR\textsubscript{t} is derived in accordance with the following formula:

\[
OIR\textsubscript{t} = SSO\textsubscript{t} + PA\textsubscript{t}
\]

2A.15 In the above formula for OIR\textsubscript{t}:

- \( SSO\textsubscript{t} \) means the revenue adjustment made in Formula Year \( t \) reflecting the Licensee’s performance in relation to its stakeholder satisfaction as derived in accordance with Special Condition 2C (Stakeholder Satisfaction Output).

- \( PA\textsubscript{t} \) means the permits revenue adjustment made in Formula Year \( t \) in respect of the Licensee’s Permit Arrangements as derived in accordance with Special Condition 2D (Permit Arrangements for the provision of incremental capacity).

Part F: Calculation of the correction term (K\textsubscript{t})

2A.16 For the purposes of the Principal Formula, subject to paragraphs 2A.17 and 2A.18, \( K\textsubscript{t} \) is derived in accordance with the following formula:

\[
K\textsubscript{t} = (TOR\textsubscript{t-2} - MR\textsubscript{t-2}) \times \left(1 + \frac{I\textsubscript{t-2} + PR\textsubscript{t}}{100}\right) \times \left(1 + \frac{I\textsubscript{t-1} + 1.5}{100}\right)
\]

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
where:

\( \text{TOR}_{t-2} \) means the NTS Transportation Owner Revenue as derived in accordance with Part B of this condition in respect of Formula Year \( t-2 \).

\( \text{MR}_{t-2} \) means the Maximum NTS Transportation Owner Revenue as derived in accordance with Part C of this condition in respect of Formula Year \( t-2 \).

\( I_t \) means Average Specified Rate in respect of Formula Year \( t \).

\( \text{PR}_t \) means the interest rate adjustment in Formula Year \( t \) as derived in accordance with the formula set out in Part G of this condition.

2A.17 For the Formula Year 2013/14, \( K_t \) is derived in accordance with the following formula:

\[
K_t = (\text{TOR}_{t-1} - \text{MR}_{t-1}) \times \left( 1 + \frac{I_{t-1} + \text{PRO}_t}{100} \right)
\]

where:

\( \text{TOR}_{t-1} \) means the NTS Transportation Owner Revenue in respect of the Formula Year commencing 1 April 2012 as derived in accordance with Special Condition C8B of this licence in the form in which it was in force at 31 March 2013.

\( \text{MR}_{t-1} \) means the Maximum NTS Transportation Owner Revenue in respect of the Formula Year commencing 1 April 2012 represented by the term \( \text{TOMR}_t \) derived in accordance with Special Condition C8B of this licence in the form in which it was in force at 31 March 2013.

\( I_t \) means Average Specified Rate in respect of Formula Year \( t \).

\( \text{PRO}_t \) means the interest rate adjustment in Formula Year \( t \) as derived in accordance with the formula set out in Part G of this condition.

2A.18 In the Formula Year 2014/15 \( K_t \) will have the value zero.

**Part G: Interest adjustment for over and under recoveries of revenue**

2A.19 For the purposes of Part F of this condition, the value of the interest rate adjustment \( \text{PR}_t \) is to be treated as follows:

(a) if, in respect of Formula Year \( t-2 \), NTS Transportation Owner Revenue exceeds 104 per cent of Maximum NTS Transportation Owner Revenue, \( \text{PR}_t \) will have the value of 3;

(b) if, in respect of Formula Year \( t-2 \), NTS Transportation Owner Revenue is less than 96 per cent of Maximum NTS Transportation Owner Revenue, \( \text{PR}_t \) will have the value zero; and

(c) in all other cases \( \text{PR}_t \) will have the value 1.5.

2A.20 For the purposes of Part F of this condition, for Formula Year 2013/14 only, the value of the interest rate adjustment \( \text{PRO}_t \) is to be treated as follows:
(a) if, in respect of Formula Year t-1, NTS Transportation Owner Revenue exceeds Maximum NTS Transportation Owner Revenue, PRO\textsubscript{t} will have the value of 3; and
(b) in all other cases PRO\textsubscript{t} will have the value zero.

**Part H: Treatment of charges in the event of over recovery**

2A.21 Paragraph 2A.22 applies from 1 April 2016.

2A.22 If, in respect of two successive Formula Years t-2 and t-3, the Licensee’s NTS Transportation Owner Revenue in each of those Formula Years exceeds 106 per cent of Maximum NTS Transportation Owner Revenue for those Formula Years, the Licensee:

(a) must have provided an explanation for that event in writing to the Authority by 31 July in the associated Formula Year t-1; and
(b) must not increase its NTS Transportation Owner Charges for Formula Year t except and to the extent that the Authority has consented to such an increase.

**Part J: Treatment of charges in the event of under recovery**

2A.23 Paragraph 2A.24 applies from 1 April 2016.

2A.24 If, in respect of two successive Formula Years t-2 and t-3, the Licensee’s NTS Transportation Owner Revenue in each of those Formula Years is less than 94 per cent of the Maximum NTS Transportation Owner Revenue for those Formula Years, the Licensee:

(a) must have provided an explanation for that event in writing to the Authority by 31 July in the associated Formula Year t-1; and
(b) must use best endeavours in setting NTS Transportation Owner Charges to recover Maximum NTS Transportation Owner Revenue in Formula Year t.

**Appendix 1**

**Values for the PU\textsubscript{t} term (2009/10 prices)**

*(see paragraph 2A.7 of this condition)*

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
Special Condition 2B. Calculation of allowed pass-through items

Introduction

2B.1 The purpose of this condition is to provide for the calculation of the term PT\(_t\) (the allowed pass-through term) for the purposes of Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue).

2B.2 The effect of the application of the PT\(_t\) term in Part C of Special Condition 2A is to ensure that the level of the Licensee’s Maximum NTS Transportation Owner Revenue derived in accordance with that condition reflects certain costs that can be passed through to users.

Part A: Formula for calculation of allowed pass-through items (PT\(_t\))

2B.3 For the purposes of Part C of Special Condition 2A, the PT\(_t\) term is derived in accordance with the following formula (in this condition, the “Principal Formula”):

\[ PT_t = RB_t + LF_t + OPTC_t + ISA_t \]

2B.4 In the Principal Formula:

- \( RB_t \) means the business rates adjustment in Formula Year \( t \) as derived in accordance with the formula set out in Part B of this condition.
- \( LF_t \) means the licence fee adjustment in Formula Year \( t \) as derived in accordance with the formula set out in Part C of this condition.
- \( OPTC_t \) means the policing cost adjustment in Formula Year \( t \) in respect of the additional 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, as derived in accordance with the formula set out in Part D of this condition.
- \( ISA_t \) means the Independent Systems adjustment in Formula Year \( t \), in respect of the recovery of costs incurred pursuant to arrangements associated with the conveyance of gas to Independent Systems, as derived in accordance with Part E of this condition.

Part B: Calculation of the business rates adjustment term (RB\(_t\))

2B.5 For the purposes of the Principal Formula, subject to paragraphs 2B.7 and 2B.8, RB\(_t\) is derived in accordance with the following formula:

\[ RB_t = \left( \frac{RBA_{t-2}}{RPIA_{t-2}} - RBE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t \]

2B.6 In the above formula for RB\(_t\):

- \( RBA_{t-2} \) means the amount, in Formula Year \( t-2 \), of the charge incurred in respect of the prescribed rates (or any equivalent tax or duty replacing them) levied on the Licensee in Formula Year \( t-2 \) in relation to its NTS Transportation Owner Activity.
- \( RBE_{t-2} \) means the amount of the allowance in respect of the prescribed rates (or any equivalent tax or duty replacing them) in Formula Year \( t-2 \) in
relation to the NTS Transportation Owner Activity, and is represented by the amount set out in Appendix 1 of this condition.

\[ \text{RPIA}_{t-2} \] has the value given to it by Part D of Special Condition 2A.

\[ \text{PVF}_t \] has the value given to it by Part D of Special Condition 2A.

\[ \text{RPIF}_t \] has the value given to it by Part D of Special Condition 2A.

2B.7 In the Formula Years 2013/14 and 2014/15 \( \text{RB}_t \) will have the value zero.

2B.8 In respect of any Formula Year \( t-2 \) in which the revaluation by The Valuation Office Agency (in England and Wales) or the Scottish Assessors Association (in Scotland) of the assets used by the Licensee in respect of its NTS Transportation Owner Activity for the purposes of setting prescribed rates came into effect, \( \text{RB}_t \) will have the value of zero in Formula Year \( t \) and in each subsequent Formula Year, unless the Authority has satisfied itself that the Licensee has used reasonable endeavours to minimise the amount of the prescribed rates. If the Authority has so satisfied itself, it will direct that the formula set out in this Part B is to apply for the purposes of calculating the \( \text{RB}_t \) term in the specific Formula Year and in each of the subsequent Formula Years.

**Part C: Calculation of the licence fee adjustment term (LF\(_t\))**

2B.9 For the purposes of the Principal Formula, subject to paragraph 2B.11 of this condition, \( \text{LF}_t \) is derived in accordance with the following formula:

\[
\text{LF}_t = \left( \frac{\text{LFA}_t - \text{LFE}_t}{\text{RPIA}_t} \right) \times \text{PVF}_t \times \text{PVF}_{t-1} \times \text{RPIF}_t
\]

2B.10 In the above formula for \( \text{LF}_t \):

\[ \text{LFA}_t \] means the amount of the payments, in Formula Year \( t-2 \), made by the Licensee in respect of the NTS Transportation Owner Activity under Standard Condition 3 (Payments by the Licensee to the Authority).

\[ \text{LFE}_t \] means the amount of the licence fee allowance in Formula Year \( t-2 \), and is represented by the amount set out in Appendix 2 of this condition.

\[ \text{RPIA}_t \] has the value given to it by Part D of Special Condition 2A.

\[ \text{PVF}_t \] has the value given to it by Part D of Special Condition 2A.

\[ \text{RPIF}_t \] has the value given to it by Part D of Special Condition 2A.

2B.11 In the Formula Years 2013/14 and 2014/15 \( \text{LF}_t \) will have the value zero.

**Part D: Calculation of the policing cost adjustment term (OPTC\(_t\))**

2B.12 For the purposes of the Principal Formula, subject to paragraph 2B.14 of this condition, \( \text{OPTC}_t \) is derived in accordance with the following formula:

\[
\text{OPTC}_t = \left( \frac{\text{OPTA}_t}{\text{RPIA}_t} - \text{OPTE}_t \right) \times \text{PVF}_t \times \text{PVF}_{t-1} \times \text{RPIF}_t
\]

2B.13 In the above formula for \( \text{OPTC}_t \):
OPTA_{t-2} \text{ means the amount of the payments, in Formula Year } t-2, \text{ made by the Licensee to the Secretary of State in respect of provision of policing services.}

OPTE_{t-2} \text{ means the amount of the policing cost allowance in Formula Year } t-2, \text{ and has the value of £13.5 million.}

RPIA_{t-2} \text{ has the value given to it by Part D of Special Condition 2A.}

PVF_t \text{ has the value given to it by Part D of Special Condition 2A.}

RPIF_t \text{ has the value given to it by Part D of Special Condition 2A.}

2B.14 In the Formula Years 2013/14 and 2014/15 OPTC_t \text{ will have the value zero.}

**Part E: Calculation of the Independent Systems adjustment term \((ISA_t)\)**

2B.15 For the purposes of the Principal Formula, \(ISA_t\) is derived in accordance with the following formula:

\[ ISA_t = IS_t - (ISE_t \times RPIF_t) \]

2B.16 In the above formula for \(ISA_t\):

\(IS_t\) means the amount paid in Formula Year \(t\), in respect of the recovery of costs incurred pursuant to arrangements associated with the conveyance of gas to Independent Systems and as derived in accordance with Special Condition 11F (Gas Conveyed to Independent Systems).

\(ISE_t\) means the Independent Systems allowance in Formula Year \(t\), and is represented by the amount set out in Appendix 3 of this condition.

\(RPIF_t\) has the value given to it by Part D of Special Condition 2A.

**Appendix 1**

**Values for the RBE_t term (£m, 2009/10 prices)**

(see paragraph 2B.6 of this condition)

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Appendix 2

Values for the LFE$_t$ term (£m, 2009/10 prices)
(see paragraph 2B.10 of this condition)

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Appendix 3

Values for the ISE$_t$ term (£m, 2009/10 prices)
(see paragraph 2B.16 of this condition)

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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 – 10 December 2019
Special Condition 2C. Stakeholder Satisfaction Output

**Introduction**

2C.1 The purpose of this condition is to set out the mechanism for calculating the value of the Licensee’s Stakeholder Satisfaction Output (SSO_t) term.

2C.2 The effect of the application of the SSO_t term in Special Condition 2A (Restriction of NTS Transportation Owner Revenue) is to adjust the amount of the Outputs Incentive Payment (OIR_t) term in that condition in order to reflect the Licensee’s performance in relation to its Stakeholder Satisfaction Output.

**Part A: Formula for the Stakeholder Satisfaction Output term**

2C.3 For the purposes of Part E of Special Condition 2A (Restriction of NTS Transportation Owner Revenue), the value of the SSO_t term is the value of an adjustment to the amount of the Licensee’s Outputs Incentive Payment (OIR_t) in respect of the Licensee’s performance in relation to its Stakeholder Satisfaction Output in Formula Year t-2 derived in accordance with the following formula:

\[
SSO_t = (SER_{t-2} + SSS_{t-2}) \times \left(1 + \frac{I_t - 2}{100}\right) \times \left(1 + \frac{I_{t-1}}{100}\right)
\]

2C.4 In the formula for the SSO_t term above:

- **SER_{t-2}** (the Stakeholder Engagement Reward term) means a positive adjustment (if any) that may be determined by the Authority pursuant to the provisions of Part B below in recognition of the Licensee’s demonstration that effective stakeholder engagement by it has led to High Quality Outcomes for its Stakeholders in respect of performance in Formula Year t-2.

- **SSS_{t-2}** (the Stakeholder Satisfaction Survey term) means the adjustment that is required in respect of the Licensee’s survey performance in Formula Year t-2 in relation to the Target Stakeholder Satisfaction Survey Score in that year, and is calculated in accordance with the provisions of Part D below.

- **I_t** means the Average Specified Rate in Formula Year t.

2C.5 For Formula Years 2013/14 and 2014/15 SSO_t will have the value zero.

**Part B: Determination of the Stakeholder Engagement Reward**

2C.6 The maximum value of the SER_{t-2} term in respect of performance in Formula Year t-2 that can be determined by the Authority for the Licensee is to be derived in accordance with the following formula:

\[
SER_{t-2} \text{ max } = 0.005 \times BR_{t-2}
\]

where:

- **BR_{t-2}** is derived in accordance with the provisions of Part D of Special Condition 2A.

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 – 10 December 2019
2C.7 The Licensee may apply to be awarded a Stakeholder Engagement Reward in respect of Formula Year t-2 in accordance with such procedures, timescales, and minimum eligibility criteria as may be set out in the Stakeholder Engagement Reward Guidance (the “Guidance”) that is published on the Authority’s website (and that may be modified from time to time in accordance with the provisions of Part C below).

2C.8 In addition to making provision for the matters mentioned in paragraph 2C.7, the Guidance may also make provision for:

(a) the appointment, by the Authority, of persons who will allocate the Stakeholder Engagement Reward; and

(b) the manner and process by which such assessments will be made and any rewards will be awarded.

Part C: Modification of the Stakeholder Engagement Reward Guidance

2C.9 The Guidance may be established or modified by the Authority by direction following the procedure set out in this Part C.

2C.10 A direction issued by the Authority under paragraph 2C.9 is of no effect unless the Authority has first:

(a) given notice to all licensees, in whose licence a condition of like effect to this condition has effect, that it proposes to establish or modify the Guidance:

(i) specifying the date on which it proposes that the provisions of the Guidance or modified Guidance should take effect;

(ii) setting out the text of the Guidance or modified Guidance and the Authority’s reasons for the proposed text or modification to it;

(iii) specifying the time (which will not be less than a period of 28 days from the date of the notice) within which representations may be made; and

(b) considered any representations in response to the notice that are duly made and not withdrawn.

Part D: Adjustments arising from the Stakeholder Satisfaction Survey

2C.11 The amount of the SSS_{t-2} term (relating to the Customer and Stakeholder Satisfaction Surveys) is derived from the following formula:

$$SSS_{t-2} = BR_{t-2} \times [(CSSAF_{t-2} \times CSSPRO_{t-2}) + (SSSAF_{t-2} \times SSSPRO_{t-2})]$$

where:

BR_{t-2} means the amount of Base NTS Transportation Owner Revenue in Formula Year t-2 and will be calculated in accordance with Part D of Special Condition 2A.

CSSAF_{t-2} is the revenue adjustment factor based on the Licensee’s performance against the customer satisfaction survey in the Formula Year t-2, and is derived from the following formula:

If CSSP_{t-2} > CSST:
CSSAF\textsubscript{t-2} = \min \left( \text{CSSUPA}, \text{CSSUPA} \times \frac{\text{CSSP\textsubscript{t-2} - CSST}}{\text{CSSCAP} - \text{CSST}} \right)

If \text{CSSP\textsubscript{t-2}} < \text{CSST}:

CSSAF\textsubscript{t-2} = \max \left( \text{CSSDPA}, \text{CSSDPA} \times \frac{\text{CSST} - \text{CSSP\textsubscript{t-2}}}{\text{CSSST} - \text{CSSCOL}} \right)

otherwise:

CSSAF\textsubscript{t-2} = 0

where:

\begin{itemize}
  \item \text{CSST} \quad \text{is the customer satisfaction survey target, and will have the value 6.9.}
  \item \text{CSSCAP} \quad \text{is the customer satisfaction survey cap, and will have the value 8.5.}
  \item \text{CSSUPA} \quad \text{is the customer satisfaction maximum upside percentage adjustment, and will have the value 1\%.}
  \item \text{CSSCOL} \quad \text{is the customer satisfaction survey collar, and will have the value of 5.3.}
  \item \text{CSSDPA} \quad \text{is the customer satisfaction maximum downside percentage adjustment, and will have the value -1\%.}
  \item \text{CSSP\textsubscript{t-2}} \quad \text{is the overall customer satisfaction survey result in the Formula Year t-2.}
\end{itemize}

\text{SSSAF\textsubscript{t-2}} \quad \text{is the revenue adjustment factor based on the Licensee’s performance against the stakeholder satisfaction survey in the Formula Year t-2, and is derived from the following formula:}

If \text{SSSP\textsubscript{t-2}} > \text{SSST}:

SSSAF\textsubscript{t-2} = \min \left( \text{SSSUPA}, \text{SSSUPA} \times \frac{\text{SSSP\textsubscript{t-2} - SSST}}{\text{SSSCAP} - \text{SSST}} \right)

If \text{SSSP\textsubscript{t-2}} < \text{SSST}:

SSSAF\textsubscript{t-2} = \max \left( \text{SSSDPA}, \text{SSSDPA} \times \frac{\text{SSST} - \text{SSSP\textsubscript{t-2}}}{\text{SSST} - \text{SSSCOL}} \right)

otherwise:

SSSAF\textsubscript{t-2} = 0

where:

\begin{itemize}
  \item \text{SSSP\textsubscript{t-2}} \quad \text{is the overall stakeholder satisfaction survey result in the Formula Year t-2.}
  \item \text{SSST} \quad \text{is the stakeholder satisfaction survey target, and will have the value 6.9.}
  \item \text{SSSUPA} \quad \text{is the stakeholder satisfaction maximum upside percentage adjustment, and will have the value 1\%.}
  \item \text{SSSCOL} \quad \text{is the stakeholder satisfaction survey collar, and will have the value of 5.3.}
  \item \text{SSSDPA} \quad \text{is the stakeholder satisfaction maximum downside percentage adjustment, and will have the value -1\%.}
\end{itemize}
SSST is the stakeholder satisfaction survey target, and will have the value of 7.4.

SSSCAP is the stakeholder satisfaction survey cap, and will have the value of 9.

SSSUPA is the stakeholder satisfaction maximum upside percentage adjustment, and will have the value 1%.

SSSCOL is the stakeholder satisfaction survey collar, and will have the value of 5.8.

SSSDPA is the stakeholder satisfaction maximum downside percentage adjustment, and will have the value -1%.

SSSP_{t-2} is the Stakeholder Satisfaction Survey Score result in the Formula Year t-2.

Min(A,B) means the value equal to the lesser of A and B.

Max(A,B) means the value equal to the greater of A and B.

CSSPRO_{t-2} is the proportion of the customer and stakeholder satisfaction incentive which will be based on the customer satisfaction survey in respect of Formula Year t-2, which has the value as specified in the following table:

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<td>0.7</td>
</tr>
</tbody>
</table>

SSSPRO_{t-2} is the proportion of the customer and stakeholder satisfaction incentive which will be based on the stakeholder satisfaction survey in respect of Formula Year t-2, and is derived from the following formula:

In Formula Years 2013/14, 2014/15 and 2015/16:

SSSPRO_{t} = 0

In Formula Year 2016/17 and all following Formula Years:

SSSPRO_{t} = 1 - CSSPRO_{t}

2C.12 The Licensee must submit proposed values for the terms X, Y and Z and the terms AA, BB, CC, DD, EE, FF, GG, HH within 30 days of 1 April 2013. The Authority will determine values for these terms following this submission.

Part E: Customer and Stakeholder Satisfaction Surveys
2C.13 Unless otherwise agreed with the Authority, the Licensee must carry out a survey at least once a year to assess customer satisfaction and stakeholder satisfaction with its activities (the Customer and Stakeholder Satisfaction Surveys).

2C.14 The Licensee may include such questions as it deems appropriate, subject to the inclusion of one question that asks for overall satisfaction to be rated on a scale of 1 to 10, when 1 is low and 10 is high.

2C.15 The Licensee must report on the outcomes of this overall stakeholder satisfaction question in accordance with Standard Special Condition A40 (Regulatory Instructions and Guidance).

2C.16 The Licensee must share the outcomes from this survey with the Authority, other Licensees within whose licence a condition of like effect to this condition is in force and other interested parties at its own discretion.

2C.17 The Authority will review the Licensee’s approach to conducting the survey and reporting the outcome of the satisfaction question as required by paragraph 2C.16 and provide feedback to the Licensee.
Special Condition 2D. Permit Arrangements for the provision of incremental capacity

Introduction

2D.1 The purpose of this condition is to provide arrangements that allow the Licensee to obtain revenues from Permit Arrangements (from 1 April 2013 – 31 March 2015).

2D.2 NOT USED
2D.3 NOT USED
2D.4 NOT USED
2D.5 NOT USED
2D.6 NOT USED
2D.7 NOT USED
2D.8 NOT USED
2D.9 NOT USED
2D.10 Part D sets out the revenue earned by the Licensee for the Permit Arrangements commencing on 1 April 2013 and 1 April 2014.

2D.11 Part E sets out arrangements to allow the Licensee to obtain additional revenue for any permits under the Legacy Permit Arrangements remaining on 31 May 2013.

Part A: NOT USED

2D.12 NOT USED
2D.13 NOT USED
2D.14 NOT USED
2D.15 NOT USED
2D.16 NOT USED
2D.17 NOT USED
2D.18 NOT USED

Part B: NOT USED

2D.19 NOT USED
2D.20 NOT USED

Part C: NOT USED

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
2D.21 NOT USED
2D.22 NOT USED

Part D: Revenue earned from Permit Arrangements (1 April 2013 – 31 March 2015)

2D.23 For the purposes of Part E of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) the term PA_t shall be calculated in the Formula Year commencing 1 April 2016 as follows:

\[ PA_t = £24,040,000 \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t \]

where:

- \( PVF_t \) has the value given to it by Part D of Special Condition 2A.
- \( RPIF_t \) has the value given to it by Part D of Special Condition 2A.

2D.24 PA_t will have the value zero other than in the Formula Year commencing on 1 April 2016.

Part E: Legacy Permit Arrangements

2D.25 For the purposes of Part C of Special Condition 3A (Restriction of NTS System Operation Revenue) the DELINC_t term is derived in accordance with the following formula:

\[ DELINC_t = RLTDVEn_{t-1} + RLTDVE_{t-1} \]

where:

- \( RLTDVEn_{t-1} \) means the value of the entry permits held by the licensee on 31 May 2013 from the arrangements set out in Special Condition C8C (NTS System Operation Activity Revenue Restriction) paragraph 3(a) as it was in force in this licence as at 31 March 2013.
- \( RTLDVE_{t-1} \) means the value of the exit permits held by the licensee on 31 May 2013 from the arrangements set out in Special Condition C8C paragraph 3(a) as it was in force in this licence as at 31 March 2013.

2D.26 DELINC_t will have the value zero except in the Formula Year commencing 1 April 2013 when it will be calculated in accordance with the formula in 2D.25.

2D.27 RLTDVEn_{t-1} shall be calculated in accordance with the following formula:

\[ RLTDVEn_{t-1} = \min[(LTDVEn_{end} \times £5,000), £8,256,960] \times RPIF_t \]

where:

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 – 10 December 2019
LTDVE$_{\text{end}}$ means the value of LTDVE$_{n}$ (in GWh per Day for each one month period) where Day $n$ is 31 May 2013 and is derived with the following formula:

$$\text{LTDVE}_n = 1440 + \sum_{v,n-1} \text{DLTDVE}_{v}$$

DLTDVE$_{v}$ means the change in the Entry Lead Time (in units of GWh per Day for each one month period) that arises from the variation event $v$ as notified to the Authority by 1 May 2013.

2D.28 $\text{RLTDVE}_{t-1}$ shall be calculated in accordance with the following formula:

$$\text{RLTDVE}_{t-1} = \min\left(\left[ (\text{LTDVE}_{\text{end}} \times £274), £688,149 \right] \times \text{RPIF}_t \right)$$

where:

LTDVE$_{\text{end}}$ means the value of LTDVE$_{n}$ (in GWh per Day) where Day $n$ is 31 May 2013 and is derived with the following formula:

$$\text{LTDVE}_n = 2190 + \sum_{v,n-1} \text{DLTDVE}_{v}$$

DLTDVE$_{v}$ means the change in the Exit Lead Time (in units of GWh per Day) that arises from the variation event $v$ as notified to the Authority by 1 April 2013.

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 – 10 December 2019
Special Condition 2E. The Network Innovation Allowance

Introduction

2E.1 This condition establishes arrangements to be known as the Network Innovation Allowance (“NIA”) for the purpose of calculating the amount of the NIA term that applies in Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) with respect to the funding of innovative projects carried out by the Licensee.

2E.2 The effect of the application of the NIA term in Part C of Special Condition 2A is to adjust the calculation of the Licensee’s Maximum NTS Transportation Owner Revenue in order to fund investment in innovation under the NIA established pursuant to this condition.

2E.3 This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the NIA.

Part A: Calculation of the NIA term

2E.4 For the purposes of Part C of Special Condition 2A, the NIA adjustment for Formula Year t is derived in accordance with the following formula (in this condition, the “Principal Formula”):

NIA_t = ANIA_t – NIAR_t

For the purposes of the Principal Formula:

NIA_t means the total allowed adjustment in Formula Year t;

ANIA_t means the total Allowable NIA Expenditure in Formula Year t and is derived in accordance with the formula set out in Part B below.

NIAR_t means an amount recovered by the Licensee in relation to the Formula Year t or a previous Formula Year under the NIA, which the Authority has determined, in accordance with the provisions set out in paragraph 2E.9 of this condition and the NIA Governance Document, to be unrecoverable (see Part C below).

2E.5 Expenditure incurred by the Licensee may only be recovered under the NIA if it is Allowable NIA Expenditure.

Part B: Calculation of Allowable NIA Expenditure (ANIA)

2E.6 For the purposes of the Principal Formula, the amount of ANIA is derived from the following formula:

ANIA_t = PTRA × min[(ENIA_t + BPC_t), (NIAV × BR_t)]

2E.7 In the formula for the ANIA term above:

PTRA is the pass-through factor and has the value of 0.9.

ENIA_t means the Eligible NIA Expenditure for Formula Year t incurred by the Licensee in respect of Eligible NIA Projects as calculated by the Licensee in accordance with the NIA Governance Document and
reported to the Authority in accordance with Standard Special Condition A40 (Regulatory Instructions and Guidance).

\[ BPC_t \]

means the Eligible NIC Bid Preparation Costs for the Formula Year \( t \) as calculated by the Licensee in accordance with this condition and reported to the Authority in accordance with Standard Special Condition A40. Where the Licensee is part of a Gas Transmission Group, the amount of such costs recoverable by all of the Licensees in that group cannot exceed the amount calculated in accordance with this condition.

The value of \( BPC_t \) for Formula Years \( t = 2013/14 \) to \( 2017/18 \) is the lower of:

(a) £175,000 in total; or

(b) 5\% of the amount applied for by the Licensee or the group where relevant under the Network Innovation Competition, as defined in Special Condition 2F (The Network Innovation Competition).

For Formula Year 2018/19 and in subsequent years \( BPC_t \) will have the value zero.

\[ NIAV \]

means the Licensee’s NIA Percentage, and has the value that is attributed to the Licensee in Appendix 1.

\[ BR_t \]

means Base NTS Transportation Owner Revenue in Formula Year \( t \), and is derived in accordance with Part D of Special Condition 2A.

2E.8 For the purposes of the NIA, the Eligible NIA Internal Expenditure (\( NIAIE_t \)) that qualifies as Eligible NIA Expenditure in the Formula Year \( t \) must not exceed the amount derived by the following relationship:

\[ NIAIE_t \leq Z \times ENIA_t \]

where:

- \( NIAIE_t \) is the Eligible NIA Internal Expenditure that qualifies as Eligible NIA Expenditure for Formula Year \( t \).

- \( Z \) has the value of 0.25, except insofar as the Authority consents otherwise.

**Part C: Treatment of Unrecoverable Expenditure**

2E.9 In any Formula Year \( t \), the Authority may set, by direction given to the Licensee, an amount for \( NIAR_t \) that will reduce the Licensee’s NIA revenue by the amount that the Authority has determined to be unrecoverable in accordance with the relevant provisions of the NIA Governance Document.

**Part D: The NIA Governance Document**

2E.10 The Authority will issue, and may from time to time revise, a document to be known as the NIA Governance Document, for purposes connected with the regulation, governance and administration of the NIA under this condition.
2E.11 The NIA Governance Document may, without limitation, make appropriate provision about or impose requirements in respect of:

(a) the eligibility criteria, which projects must meet, and which the Licensee confirms projects conform to before Eligible NIA Projects can be started;

(b) the information that is to be published by the Licensee before Eligible NIA Projects can be started;

(c) the circumstances in which the Licensee will require permission from the Authority before beginning an Eligible NIA Project;

(d) the processes and procedures that will be in place for the assessment and approval (where necessary) of such projects described in paragraph 2E.11(c) of this condition;

(e) arrangements for ensuring that relevant matters the Licensee has learned from Eligible NIA Projects can be captured and disseminated by the Licensee to other gas transporter licensees;

(f) 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 NIA Governance Document);

(g) arrangements relating to the treatment of intellectual property rights in respect of Eligible NIA Projects; and

(h) any other matters relating to the regulation, governance or administration of the NIA.

2E.12 Where provisions of the NIA Governance Document require the compliance of the Licensee, the Licensee must comply with those provisions as if the NIA Governance Document were part of this condition.

Part E: Procedure for issuing and revising the NIA Governance Document

2E.13 Before issuing the NIA Governance Document under this condition, the Authority, by notice given to the Licensee and all other gas transporter licensees with a condition of similar effect to this condition in their licence, will:

(a) state that it proposes to issue the NIA Governance Document, and specify the date on which it proposes that this should take effect;

(b) set out the text of the NIA Governance Document and the Authority’s reasons for proposing to issue it; and

(c) specify the date (which will not be less than a period of 28 days from the date of the notice) within which representations with respect to the proposed NIA Governance Document may be made.

2E.14 The Authority will consider any representations that are duly made and not withdrawn.

2E.15 The requirements of paragraphs 2E.13 and 2E.14 may be satisfied by action taken by the Authority before, as well as by action taken after, the coming into force of this condition.
In paragraph 2E.13 “issuing and revising the NIA Governance Document” includes issuing any revision of it, and the procedure provided for under that paragraph will apply to any such revision.

Part F: Interpretation

Defined terms in this condition and in Special Condition 1A (Definitions) are to be read and given effect subject to any further clarification that might be set out in the NIA Governance Document in relation to such terms.

APPENDIX 1: NIA Percentage

(see the NIAV term under Part B of this condition)

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<tr>
<th>Licensee</th>
<th>NIA Percentage</th>
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<tr>
<td>National Grid Gas plc</td>
<td>0.7</td>
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</table>
Special Condition 2F. The Network Innovation Competition

Introduction

2F.1 The purpose of this condition is to establish arrangements known as the Network Innovation Competition (“NIC”) that will enable the Authority to determine the amount of the Network Innovation Competition Funding (“NICF”) term that is to apply in Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) with respect to the funding of innovative low carbon or environmental projects.

2F.2 The effect of the application of the NICF term in Part C of Special Condition 2A is to adjust the calculation of the Licensee’s Maximum NTS Transportation Owner Revenue (whether upwards or downwards) in order to fund investment in innovation under the NIC established pursuant to this condition.

2F.3 This condition also makes provision for arrangements relating to the regulation, administration, and governance of the NIC.

Part A: Function of the Network Innovation Competition (NIC)

2F.4 The function of the NIC is to enable the Licensee to fund Eligible NIC Projects by means of revenues collected by the Licensee through its NTS Transportation Owner Charges pursuant to the NIC Funding Mechanism described in Part B below as varied, where appropriate, by the Funding Return Mechanism described in Part C below.

2F.5 The amount of the NICF term that is to be incorporated into the Maximum NTS Transportation Owner Revenue in accordance with the provisions of Special Condition 2A in respect of any Formula Year comprises the total of the allowed revenues of the Licensee recovered under the NIC Funding Mechanism in that year.

2F.6 Accordingly, for the purposes of Part C of Special Condition 2A, the amount of the NIC adjustment in the NICF term in any Formula Year is determined in accordance with Parts B to D of this condition below and subject to the relevant provisions of the NIC Governance Document.

Part B: The NIC Funding Mechanism

2F.7 The NIC Funding Mechanism is the mechanism by which the Licensee recovers the amount of authorised NIC Funding in any Formula Year and apportions that amount between the Licensee and other gas transporter licensees as appropriate in accordance with the NIC Governance Document.

2F.8 NIC Funding is 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.

Part C: The Funding Return Mechanism

2F.9 The Funding Return Mechanism provides for the recovery from the Licensee and from other gas transporter licensees, in each case to such extent (if any) as may be relevant, of:

(a) Halted Project Revenues;
(b) Disallowed Expenditure;

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 – 10 December 2019
(c) Returned Royalty Income; and
(d) Returned Project Revenues.

2F.10 The Funding Return is the total amount (in respect of the Licensee and other gas transporter licensees) of any amounts arising under paragraph 2F.9.

2F.11 Halted Project Revenues are 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.

2F.12 Disallowed Expenditure is 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.

2F.13 Returned Royalty Income is 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, and that is payable to customers under the NIC Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.

2F.14 For the purposes of paragraph 2F.13, Directly Attributable Costs are costs relating to the maintenance and management of intellectual property generated through Eligible NIC Projects (whether undertaken by the Licensee or other gas transporter licensee) that have not been otherwise remunerated by the charges listed in Part B of Special Condition 11C (Services treated as Excluded Services), Excluded Services, or the NIC Funding Mechanism.

2F.15 Returned Project Revenues are:

(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, and where the Project has been carried out in accordance with the applicable provisions of the NIC Governance Document and/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.

2F.16 The Authority may direct how the relevant revenues under paragraphs (a) and (b) above should be paid to customers through the Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.

**Part D: Determination of the amount of the NICF term**

2F.17 The NICF term is the amount for Formula Year $t$ that is to be recovered by the Licensee on behalf of gas transporter licensees, as determined by the Authority under paragraph 2F.18 in relation to:

(a) the NIC Funding specified for that year; and

(b) any Funding Return specified for that year.
2F.18 In each Formula Year t, as provided for by the NIC Governance Document, the Authority will calculate and, by direction given to the Licensee and other gas transporter licensees specify, in accordance with the appropriate provisions set out in the NIC Governance Document:

(a) the value for NICF for the Licensee (being the amount, if any, to be recovered by the Licensee in order to contribute to its own and other gas transporter licensees’ NIC Funding for that Formula Year);

(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 that Formula Year 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 paragraph (b) are to be transferred.

2F.19 The Licensee must comply, to the extent that is applicable to it, with any direction issued by the Authority under paragraph 2F.18.

Part E: The NIC Governance Document

2F.20 The Authority will issue, and may from time to time revise, a document, to be known as the NIC Governance Document, for purposes connected with the regulation, governance, and administration of the NIC.

2F.21 The NIC Governance Document may, without limitation, make appropriate provision about or impose requirements in respect of:

(a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed NIC Projects;

(b) the evaluation criteria against which the funding of such projects will be assessed and approved (where necessary);

(c) the process and procedures that will be in place for the assessment, approval, and financing of such projects’ funding (where necessary);

(d) 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;

(e) 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);

(f) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and

(g) any other matters relating to the regulation, governance, or administration of the NIC.

2F.22 Where provisions of the NIC Governance Document require the compliance of the Licensee, the Licensee must comply with the those provisions of the NIC Governance Document as if the NIC Governance Document were part of this condition.
Part F: Procedure for issuing and revising the NIC Governance Document

2F.23 Before issuing the NIC Governance Document under this condition, the Authority, by notice given to the Licensee and all other gas transporter licensees with a condition of similar effect to this condition in their licence, will:

(a) state that it proposes to issue the NIC Governance Document, and specify the date on which it proposes that the document should take effect;

(b) set out the text of the NIC Governance Document and the Authority’s reasons for proposing to issue it; and

(c) specify the date (which will not be less than a period of 28 days from the date of the notice) within which representations with respect to the proposed NIC Governance Document may be made.

2F.24 The Authority will consider any representations that are duly made and not withdrawn.

2F.25 The requirements of paragraphs 2F.23 and 2F.24 may be satisfied by action taken before, as well as by action taken after, the commencement of this condition.

2F.26 In paragraph 2F.23, “issuing and revising the NIC Governance Document” includes issuing any revision of it, and the procedure provided for under that paragraph will apply to any such revision.

Part G: Interpretation

2F.27 Defined terms in this condition and in Special Condition 1A (Definitions) are to be read and given effect subject to any further clarification that might be set out in the NIC Governance Document in relation to such terms.
Chapter 3: NTS System Operation – Revenue Restriction
Special Condition 3A. Restriction of NTS System Operation Revenue

Introduction

3A.1 The purpose of this condition is as follows:

(a) to establish the charging restrictions that determine the level of Maximum NTS System Operation Revenue that may be recovered by the Licensee through NTS System Operation Charges; and

(b) to set out the obligations of the Licensee in respect of those restrictions.

Part A: Licensee’s obligation

3A.2 The Licensee, in setting NTS System Operation Charges, must use its best endeavours to ensure that, in Formula Year t, NTS System Operation Revenue (SOR_t) does not exceed Maximum NTS System Operation Revenue (SOMR_t).

Part B: Calculation of NTS System Operation Revenue (SOR_t)

3A.3 For the purposes of Part A of this condition, the NTS System Operation (“NTS SO”) Revenue in respect of Formula Year t is derived in accordance with the following formula:

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

3A.4 In the above formula for SOR_t:

- **SOREntC_t** means that amount of NTS SO Revenue in respect of Formula Year t that results from the sale of the following types of Entry Capacity:
  
  (a) Interruptible Entry Capacity;
  
  (b) Non-obligated Entry Capacity;
  
  (c) Legacy Incremental Entry Capacity; and
  
  (d) all on the Day sales of Non-Incremental Obligated Entry Capacity and Funded Incremental Obligated Entry Capacity.

- **SORExC_t** means that amount of NTS SO Revenue in respect of Formula Year t that results from the sale of the following types of Exit Capacity:
  
  (a) Off-peak Exit Capacity;
  
  (b) Non-obligated Exit Capacity;
  
  (c) Legacy Incremental Exit Capacity; and
  
  (d) all on the Day sales of Non-Incremental Obligated Exit Capacity and Funded Incremental Obligated Exit Capacity.

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RCOM$_t$ means that amount of NTS SO Revenue in respect of Formula Year $t$ 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 SO activities and will include revenue from charges to recover both 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 Activities other than revenue earned by the Licensee through:

(a) SOReNC$_t$;
(b) SORexC$_t$;
(c) SOROC$_t$; and
(d) revenues received by the Licensee in respect of Formula Year $t$ from the sale of gas that had been purchased by the Licensee in respect of its use of Constrained Storage Facilities in order to avoid transportation constraints.

SOROC$_t$ means NTS SO Revenue derived by the Licensee through associated SO charges in respect of Formula Year $t$ and will be calculated from the following formula:

$$\text{SOROC}_t = \text{RNC}_t + \text{RCOR}_t + \text{FTI}_t + \text{RLOC}_t + \text{RADD}_t$$

where:

RNC$_t$ means net revenue derived by the Licensee in respect of Formula Year $t$ from balancing neutrality charges (having the meaning given to that term in the Network Code).

RCOR$_t$ means the revenue derived by the Licensee in respect of Formula Year $t$ from system entry overrun charges (having the meaning given to that term in the Network Code).

FTI$_t$ means the revenue derived by the Licensee in respect of Formula Year $t$ from charges levied on Gas Shippers and DN Operators in respect of any failure to interrupt (having the meaning given to that term in the Network Code).

RLOC$_t$ means the revenue derived by the Licensee in respect of Formula Year $t$ from locational sell actions and physical renomination incentive charges (having the meaning given to those terms in the Network Code).

RADD$_t$ means any further revenues derived by the Licensee in respect of Formula Year $t$ that the Authority has directed be included in the formula for the Constraint Management operational performance measure (CMOpPM$_t$) as set out in paragraph 3B.25 of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management).
**Part C: Calculation of Maximum NTS System Operation Revenue (SOMR)***

3A.5 Maximum NTS System Operation Revenue, in Formula Year \( t \), is derived in accordance with the following formula (in this condition, the “Principal Formula”):

\[
\text{SOMR}_t = \text{SOBR}_t + \text{CM}_t + \text{TSS}_t + \text{DELINC}_t + \text{SOOIRC}_t - \text{SOK}_t
\]

3A.6 In the Principal Formula:

- \( \text{SOMR}_t \): means the amount of Maximum NTS System Operation Revenue in Formula Year \( t \).
- \( \text{SOBR}_t \): means the amount of Base NTS System Operation Revenue in Formula Year \( t \) as derived in accordance with the formula set out in Part D of this condition.
- \( \text{CM}_t \): means the revenue adjustment in Formula Year \( t \) in respect of Constraint Management as derived in accordance with Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management).
- \( \text{TSS}_t \): means the revenue adjustment in Formula Year \( t \) in respect of NTS Transportation Support Services as derived in accordance with Special Condition 3C (NTS Transportation Support Services).
- \( \text{DELINC}_t \): means the permits revenue adjustment made in Formula Year \( t \) in respect of Legacy Permit Arrangements as derived in accordance with Part E of Special Condition 2D (Permit Arrangements for the provision of incremental capacity).
- \( \text{SOOIRC}_t \): means the NTS System Operation Revenue External Incentive adjustment in respect of Formula Year \( t \) as derived in accordance with Special Condition 3D (NTS System Operator external incentives, costs and revenues).
- \( \text{SOK}_t \): means the correction term revenue adjustment in Formula Year \( t \) as derived in accordance with the formula set out in Part E of this condition.

**Part D: Calculation of Base NTS System Operation Revenue (SOBR)***

3A.7 For the purposes of the Principal Formula, \( \text{SOBR}_t \) is derived in accordance with the following formula:

\[
\text{SOBR}_t = (\text{SOPU}_t + \text{LRD}_t + \text{SOMOD}_t + \text{SOTRU}_t) \times \text{RPIF}_t
\]

3A.8 In the above formula for \( \text{SOBR}_t \):

- \( \text{SOPU}_t \): means the amount set out against the Licensee’s name in Appendix 1 of this condition and represents the SO Opening Base Revenue Allowance determined by the Authority in relation to the NTS System Operation Activity.
- \( \text{LRD}_t \): means the amount of revenue due from the Legacy Revenue Drivers in Formula Year \( t \) as set out in Appendix 2 of this condition.
- \( \text{SOMOD}_t \): has the value zero in Formula Year 2013/14 and in each subsequent Formula Year is the value of the incremental change for Formula Year \( t \) from the Licensee’s SO Opening Base Revenue Allowance as
derived in accordance with the Annual Iteration Process set out in Parts A and B of Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model).

$\text{SOTRU}_t$ has the value zero in Formula Year 2013/14 and in each subsequent Formula Year means the NTS System Operation Revenue adjustment made in Formula Year $t$ in respect of the actual value of the Retail Prices Index in Formula Year $t-2$ minus the assumed value of the Retail Prices Index in Formula Year $t-2$, as derived in accordance with paragraph 3A.9 of this condition.

$\text{RPIF}_t$ is the price index adjustment factor in Formula Year $t$ as derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue).

**3A.9** For the purposes of paragraph 3A.8 of this condition, $\text{SOTRU}_t$ is derived in accordance with the following formula:

$$\text{SOTRU}_t = \left(\frac{\text{RPIA}_{t-2} - \text{RPIF}_{t-2}}{\text{RPIA}_{t-2}}\right) \times \text{SOREV}_{t-2} \times \text{PVF}_{t-2} \times \text{PVF}_{t-1}$$

**3A.10** In the above formula for $\text{SOTRU}_t$:

- $\text{SOREV}_{t-2}$ means the amount (in 2009/10 prices), for Formula Year $t-2$, of the combined value of all Special Condition revenue adjustments that are indexed by the Retail Prices Index and is derived in accordance with the formula in paragraph 3A.11 or 3A.12.
- $\text{PVF}_t$ has the value given to it by Part D of Special Condition 2A.

**3A.11** Subject to paragraph 3A.12, for the purposes of paragraph 3A.9 of this condition, $\text{SOREV}_{t-2}$ is derived in accordance with the following formula:

$$\text{SOREV}_{t-2} = \left(\frac{\text{SOBR}_{t-2} + \text{CM}_{t-2} + \text{TSS}_{t-2} + \text{DELINC}_{t-2}}{\text{RPIF}_{t-2}}\right)$$

where:

- $\text{SOBR}_{t-2}$ means the amount of Base NTS System Operation Revenue in Formula Year $t-2$ as derived in accordance with the formula set out in paragraph 3A.7 of this condition.
- $\text{CM}_{t-2}$ means the revenue adjustment in Formula Year $t-2$ in respect of Constraint Management as derived in accordance with Special Condition 3B.
- $\text{TSS}_{t-2}$ means the revenue adjustment in Formula Year $t-2$ in respect of NTS Transportation Support Services as derived in accordance with Special Condition 3C.
- $\text{DELINC}_{t-2}$ means the permits revenue adjustment made in Formula Year $t-2$ in respect of Legacy Permit Arrangements as derived in accordance with Part D of Special Condition 2D (Permit Arrangements for the provision of incremental capacity).

**3A.12** For the purposes of paragraph 3A.9 of this condition, in Formula Year 2014/15 only $\text{SOREV}_{t-2}$ is derived in accordance with the following formula:

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
\[
\text{SOREV}_{t-2} = \left( \frac{\text{DELINC}_{t-2} + \text{ARIEnC}_{t-2} + \text{ExCIT}_{t-2} + \text{ExCIIR}_{t-2} + \text{NC}_{t-2}}{\text{RPIF}_{t-2}} \right) + \text{BaseSOC}_{t-2} + (0.5 \times \text{ExLRCIT}_{t-2}) - (0.6 \times \text{IOIT}_{t-2}) + \text{SOREVIBEC}_{t-2}
\]

where:

- \(\text{DELINC}_{t-2}\) means, in respect of the Formula Year commencing 1 April 2012, the revenue adjustment in relation to permits as derived in accordance with paragraph 3(a) of Special Condition C8C (NTS System Operation Activity Revenue Restriction) of this licence in the form in which it was in force at 31 March 2013.

- \(\text{ARIEnC}_{t-2}\) means, in respect of the Formula Year commencing 1 April 2012, the maximum revenue entitlement allowed to the licensee in respect of funded incremental obligated Entry Capacity as derived in accordance with paragraph 2(a) of Special Condition C8D (NTS gas entry incentives, costs and revenues) of this licence in the form in which it was in force at 31 March 2013.

- \(\text{ExCIT}_{t-2}\) means, in respect of the Formula Year commencing 1 April 2012, the incentive target in respect of the licensee’s use of Constrained Storage Facilities to avoid transportation constraints as derived in accordance with paragraph 1(c) of Special Condition C8E (NTS gas exit incentives, costs and revenues) of this licence in the form in which it was in force at 31 March 2013.

- \(\text{ExCIIR}_{t-2}\) means, in respect of the Formula Year commencing 1 April 2012, the exit capacity investment incentive revenue as derived in accordance with paragraph 1(d) of Special Condition C8E of this licence in the form in which it was in force at 31 March 2013.

- \(\text{NC}_{t-2}\) means, in respect of the Formula Year commencing 1 April 2012, the non-incentivised costs as derived in accordance with paragraph 1(d) of Special Condition C8G (NTS System Operator internal incentives, costs and revenues) of this licence in the form in which it was in force at 31 March 2013.

- \(\text{BaseSOC}_{t-2}\) means, in respect of the Formula Year commencing 1 April 2012, the aggregate internal costs allowed in respect of the provision of NTS SO activity as derived in accordance with paragraph 1(a) of Special Condition C8G of this licence in the form in which it was in force at 31 March 2013.

- \(\text{ExLRCIT}_{t-2}\) means, in respect of the Formula Year commencing 1 April 2012, the long-run contracting incentive target as derived in accordance with paragraph 1(e) of Special Condition C8E of this licence in the form in which it was in force at 31 March 2013.

- \(\text{IOIT}_{t-2}\) means, in respect of the Formula Year commencing 1 April 2012, the internal cost incentive target as derived in accordance with paragraph 1(b) of Special Condition C8G of this licence in the form in which it was in force at 31 March 2013.

- \(\text{SOREVIBEC}_{m}\) means, in respect of the Formula Year commencing 1 April 2012, the NTS system operator incentive revenue from the sales of

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permanent obligated incremental Entry Capacity for the months which fall within that Formula Year, which are more than 5 years after the first month to which the capacity relates as derived in accordance with paragraph 14(a) of Special Condition C8D of this licence in the form in which it was in force at 31 March 2013.

**Part E: Calculation of the NTS System Operation correction term (SOK_t)**

3A.13 Subject to paragraphs 3A.14 and 3A.15, for the purposes of the Principal Formula, SOK_t is derived in accordance with the following formula:

\[
SOK_t = (SOR_{t-2} - SOMR_{t-2}) \times \left(1 + \frac{I_{t-2} + PR_t}{100}\right) \times \left(1 + \frac{I_{t-1} + 1.5}{100}\right)
\]

where:

- **SOR_t-2** means the NTS System Operation Revenue as derived in accordance with Part B of this condition in respect of Formula Year t-2.
- **SOMR_t-2** means the Maximum NTS System Operation Revenue as derived in accordance with Part C of this condition in respect of Formula Year t-2.
- **I_t** means Average Specified Rate in respect of Formula Year t.
- **PR_t** means the interest rate adjustment in Formula Year t as derived in accordance with the formula set out in Part F of this condition.

3A.14 For the Formula Year 2013/14, SOK_t is derived in accordance with the following formula:

\[
SOK_t = (SOR_{t-1} - SOMR_{t-1}) \times \left(1 + \frac{I_{t-1} + PRO_t}{100}\right)
\]

where:

- **SOR_t-1** means the NTS System Operation Revenue in respect of the Formula Year commencing 1 April 2012 as derived in accordance with Special Condition C8C of this licence in the form in which it was in force at 31 March 2013.
- **SOMR_t-1** means the Maximum NTS System Operation Revenue in respect of the Formula Year commencing 1 April 2012 as derived in accordance with Special Condition C8C of this licence in the form in which it was in force at 31 March 2013.
- **I_t** means Average Specified Rate in respect of Formula Year t.
- **PRO_t** means the interest rate adjustment in Formula Year t as derived in accordance with the formula set out in Part F of this condition.

3A.15 In the Formula Year 2014/15 SOK_t will have the value zero.

**Part F: Interest adjustment for over and under recoveries of revenue**

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
3A.16 For the purposes of Part E of this condition, the value of the interest rate adjustment PR\textsubscript{t} is to be treated as follows:

(a) if, in respect of Formula Year t-2, NTS System Operation Revenue exceeds 104 per cent of Maximum NTS System Operation Revenue, PR\textsubscript{t} will have the value of 3;

(b) if, in respect of Formula Year t-2, NTS System Operation Revenue is less than 96 per cent of Maximum NTS System Operation Revenue, PR\textsubscript{t} will have the value zero; and

(c) in all other cases PR\textsubscript{t} will have the value 1.5.

3A.17 For the purposes of Part E of this condition, for Formula Year 2013/14 only, the value of the interest rate adjustment PRO\textsubscript{t} is to be treated as follows:

(a) if, in respect of Formula Year t-1, NTS System Operation Revenue exceeds Maximum NTS System Operation Revenue, PRO\textsubscript{t} will have the value of 3; and

(b) in all other cases PRO\textsubscript{t} will have the value zero.

**Part G: Treatment of charges in the event of over recovery**

3A.18 Paragraph 3A.19 applies from 1 April 2016.

3A.19 If, in respect of two successive Formula Years t-2 and t-3, the Licensee’s NTS System Operation Revenue in each of those Formula Years exceeds 106 per cent of Maximum NTS System Operation Revenue for those Formula Years, the Licensee:

(a) must have provided an explanation for that event in writing to the Authority by 31 July in the associated Formula Year t-1; and

(b) must not increase its NTS System Operation Charges for Formula Year t except and to the extent that the Authority has consented to such an increase.

**Part H: Treatment of charges in the event of under recovery**

3A.20 Paragraph 3A.21 applies from 1 April 2016.

3A.21 If, in respect of two successive Formula Years t-2 and t-3, the Licensee’s NTS System Operation Revenue in each of those Formula Years is less than 94 per cent of the Maximum NTS System Operation Revenue for those Formula Years, the Licensee:

(a) must have provided an explanation for that event in writing to the Authority by 31 July in the associated Formula Year t-1; and

(b) must use best endeavours in setting NTS System Operation Charges to recover Maximum NTS System Operation Revenue in Formula Year t.
### Appendix 1

Values for the SOPU<sub>i</sub> term (2009/10 prices)

(see paragraph 3A.7 of this condition)

<table>
<thead>
<tr>
<th>SOPU&lt;sub&gt;i&lt;/sub&gt; value (£m)</th>
<th>Formula Year</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
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<th>2020/21</th>
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<td>National Grid Gas plc</td>
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### Appendix 2

Values for the LRD<sub>i</sub> term (2009/10 prices)

(see paragraph 3A.7 of this condition)

<table>
<thead>
<tr>
<th>LRD&lt;sub&gt;i&lt;/sub&gt; value (£m)</th>
<th>Formula Year</th>
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<td>0.033</td>
<td>0</td>
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</table>

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
Special Condition 3B. Entry Capacity and Exit Capacity Constraint Management

Introduction

3B.1 The purpose of this condition is to calculate the value of Entry Capacity and Exit Capacity Constraint Management allowed revenue (CMt), for the purposes of Part C of Special Condition 3A (Restriction of NTS System Operation Revenue). This is the sum of the costs relating to Constraint Management and the incentive revenue from the application of the incentive scheme, which encourages the Licensee to minimise its Constraint Management costs net of revenue.

3B.2 Part A sets out the impact of these arrangements on Constraint Management allowed revenue.

3B.3 Part B provides the basis for the calculation of Entry Capacity Constraint Management related costs.

3B.4 Part C provides the basis for the calculation of Exit Capacity Constraint Management related costs.

3B.5 Part D provides the basis for the calculation of Constraint Management operational related costs.

3B.6 Part E provides the basis for the calculation of Constraint Management investment related costs.

3B.7 Part F provides the basis for the calculation of Constraint Management incentive mechanism revenues.

3B.8 Part G calculates the relevant Constraint Management cost adjustment term.

3B.9 Part H calculates the Licensee’s performance relating to the operational scheme in minimising net costs for application to the Constraint Management incentive revenues.

3B.10 Part I and Part J derive and allow for changes to the annual Constraint Management targets.

3B.11 Part K calculates the revenue from accelerated release of Incremental Obligated Entry Capacity and specific Exit Capacity buyback costs passed through incurred by the Licensee.

3B.12 Part L sets out the obligation to produce a cost allocation methodology statement.

3B.13 The effect of the application of the term CMt in Part C of Special Condition 3A is to ensure that the level of the Licensee’s Maximum NTS System Operation Revenue derived in accordance with that condition reflects the performance of the Licensee in relation to Constraint Management on the NTS.

Part A: Formula for the Constraint Management allowed revenue (CMt)

3B.14 For the purposes of Part C of Special Condition 3A (Restriction of NTS System Operation Revenue) the CMt term shall be derived in accordance with the following formula:

\[ CM_t = (CMCE_t + CMIR_t + CMCA_t + RAREnC_t + ExBBCNLR_t) \times RPIF_t \]
where:

- \( CMCE_t \) means the Constraint Management cost allowance for Formula Year \( t \) as set out in Appendix 1 to this condition.
- \( CMIR_t \) means the Constraint Management incentive revenue, as derived in accordance with Part F of this condition, incurred by the Licensee in Formula Year \( t \) in respect of Entry Capacity and Exit Capacity Constraint Management.
- \( CMCA_t \) means the cost adjustment term, as defined in Part G of this condition, in respect of Formula Year \( t \) relating to the costs of Constraint Management.
- \( RAREnC_t \) means the accelerated revenue term, as defined in Part K of this condition, earned by the Licensee in Formula Year \( t \).
- \( ExBBCNLR_t \) means the Exit Capacity buyback costs term as defined in Part K of this condition, incurred by the Licensee in Formula Year \( t \) in respect of Exit Capacity Constraint Management.
- \( RPIF_t \) has the value given to it by Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue).

**Part B: Formula for the Entry Capacity Constraint Management costs (EnCMC\(_t\))**

3B.15 For the purposes of the Constraint Management cost adjustment term in Part G of this condition, \( EnCMC_t \) represents the costs of Entry Capacity Constraint Management incurred by the Licensee in Formula Year \( t \) and is derived in accordance with the following formula:

\[
EnCMC_t = \sum_{dy(d)=t} \left( BBC_{d,t} + ECCC_{d,t} \right)
\]

where:

- \( BBC_{d,t} \) means the costs incurred by the Licensee in respect of any Constraint Management actions taken in relation to Entry Capacity in respect of Day \( d \) of Formula Year \( t \) (including those related to capacity management relating to the surrender of Firm Entry Capacity).
- \( ECCC_{d,t} \) means the costs incurred by the Licensee in respect of any payments made by the Licensee to gas shippers or DN Operators in exchange for agreeing to offtake gas from the NTS at the Licensee’s request on Day \( d \) in respect of Formula Year \( t \) and in respect of any costs incurred by the Licensee undertaking any other commercial or physical action to manage Entry Capacity excluding those covered by \( BBC_{d,t} \). For the avoidance of doubt, \( ECCC_t \) shall include the costs of the Licensee in taking any Locational Actions.

**Part C: Formula for the Exit Capacity Constraint Management costs (ExCMC\(_t\))**

3B.16 For the purposes of the Constraint Management cost adjustment term in Part G of this condition, \( ExCMC_t \) represents the costs of Exit Capacity Constraint Management incurred by the Licensee in Formula Year \( t \) and is derived in accordance with the following formula:
ExCMC_t = \sum_{d\in Y(d)=t} (ExRO_{d,t} + ExCC_{d,t})

where:

ExRO_{d,t} means the costs incurred by the Licensee in respect of accepted offtake reduction offers (as defined in the Network Code) in respect of Day d of Formula Year t.

ExCC_{d,t} means the costs incurred by the Licensee in respect of any Exit Capacity Constraint Management taken in respect of Day d of Formula Year t (including those related to Exit Constraint Management Charges and NTS Exit Capacity surrender charges) (as defined in the Network Code) and in respect of any costs incurred by the Licensee undertaking any other commercial or physical action to manage Exit Capacity excluding those covered by ExRO_{d,t}.

Part D: Formula for the Constraint Management operational costs (CMOpC_t)

3B.17 For the purposes of the Constraint Management incentive revenue term in Part F of this condition, CMOpC_t means costs incurred by the Licensee in Formula Year t included within the Entry Capacity Constraint Management operational cost term and the Exit Capacity Constraint Management operational cost term and 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, being the subset of the costs (EnCMC_t as defined in paragraph 3B.15) incurred by the Licensee in Formula Year t in respect of Entry Capacity Constraint Management but excluding those included within the term EnCMInvC_t as defined in paragraph 3B.18.

ExCMOpC_t means the Exit Capacity operational Constraint Management cost term, being the subset of the costs (ExCMC_t as defined in paragraph 3B.16) incurred by the Licensee in Formula Year t in respect of Exit Capacity Constraint Management but excluding those included within the term ExCMInvC_t as defined in paragraph 3B.18.

Part E: Formula for the Constraint Management investment costs (CMInvC_t)

3B.18 For the purposes of the Constraint Management incentive revenue term in Part F of this condition, CMInvC_t means costs incurred by the Licensee in Formula Year t included within the Entry Capacity Constraint Management investment cost term and the Exit Capacity Constraint Management investment cost term and is derived in accordance with the following formula:

CMInvC_t = EnCMInvC_t + ExCMInvC_t

where:

EnCMInvC_t means the subset of the costs (EnCMC_t as defined in paragraph 3B.15) incurred by the Licensee in Formula Year t in respect of Entry Capacity Constraint Management which relates to Funded
Incremental Obligated Entry Capacity first released for sale by the Licensee after 31 March 2013 until such time as that Entry Capacity has been physically delivered to relevant shippers.

\[ \text{ExCMInvC}_t \] means the subset of the costs (ExCMC as defined in paragraph 3B.16) incurred by the Licensee in Formula Year \( t \) in respect of Exit Capacity Constraint Management which relates to Funded Incremental Obligated Exit Capacity first released for sale by the Licensee after 31 March 2013 until such time as that Exit Capacity has been physically delivered to relevant shippers.

3B.19 In deriving ExCMInvC\(_t\), the Licensee must use reasonable endeavours to ensure it does not pay more than 0.52p/kWh/Day in respect of Entry Capacity and Exit Capacity Constraint Management costs in respect of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity, and this obligation will apply until that Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity has been physically delivered.

3B.20 For the purposes of paragraph 3B.19 the Licensee may submit a report to the Authority demonstrating how it considers that the Licensee has used reasonable endeavours to satisfy the obligation referred to in that paragraph, the Authority may direct in writing that the Licensee has satisfied its obligation thereunder.

**Part F: Formula for the Constraint Management incentive revenue (CMIR\(_t\))**

3B.21 For the purposes of the Constraint Management allowed revenue term in Part A of this condition, CMIR\(_t\) has the value zero in Formula Years 2013/14 and 2014/15 and for subsequent Formula Years means the incentive revenue adjustment for Formula Year \( t \) in respect of Entry Capacity and Exit Capacity Constraint Management as derived in accordance with the following formula, subject to paragraphs 3B.22 and 3B.23 of this condition:

\[
\text{CMIR}_t = \left[ \text{CMSF} \times \left( \frac{\text{CMOpTC}_{t-2}}{\text{RPIA}_{t-2}} - \frac{\text{CMOpPM}_{t-2}}{\text{RPIA}_{t-2}} \right) - \frac{\text{CMInvC}_{t-2}}{\text{RPIA}_{t-2}} \right] \times \text{PVF}_{t-2} \times \text{PVF}_{t-1}
\]

where:

- CMSF means the Constraint Management sharing factor and shall take the value of 44.36%.
- \( \text{CMOpTC}_{t-2} \) means the Constraint Management operational target cost in respect of Formula Year \( t-2 \) as derived in accordance with Part I of this condition.
- \( \text{CMOpPM}_{t-2} \) means the Constraint Management operational performance measure in respect of Formula Year \( t-2 \) as derived in accordance with Part H of this condition.
- \( \text{CMInvC}_{t-2} \) means the investment Constraint Management cost term in respect of Formula Year \( t-2 \) as derived in accordance with Part E of this condition.
- \( \text{RPIA}_{t-2} \) has the value given to it by Part D of Special Condition 2A.
PVF\textsubscript{t} has the value given to it by Part D of Special Condition 2A.

3B.22 If \( \left( \frac{\text{CMIR}_{t}}{\text{PVF}_{t-2} \times \text{PVF}_{t-1}} \right) \leq \text{ANLL}_{t} \), then \( \left( \frac{\text{CMIR}_{t}}{\text{PVF}_{t-2} \times \text{PVF}_{t-1}} \right) \) shall, for the purposes of Part A of this condition be equal to ANLL\textsubscript{t}.

3B.23 If \( \left( \frac{\text{CMIR}_{t}}{\text{PVF}_{t-2} \times \text{PVF}_{t-1}} \right) > \text{ANLU}_{t} \), then \( \left( \frac{\text{CMIR}_{t}}{\text{PVF}_{t-2} \times \text{PVF}_{t-1}} \right) \) shall, for the purposes of Part A of this condition be equal to ANLU\textsubscript{t}.

where:

(a) ANLL\textsubscript{t} has the value set out for that year in the table in Appendix 3; and

(b) ANLU\textsubscript{t} has the value set out for that year in the table in Appendix 4.

**Part G: Formula for the Constraint Management cost adjustment (CMCA\textsubscript{t})**

3B.24 For the purposes of the Constraint Management allowed revenue term in Part A of this condition, CMCA\textsubscript{t} has the value zero in Formula Years 2013/14 and 2014/15 and for subsequent Formula Years means the cost adjustment for Formula Year \( t \) in respect of Constraint Management costs derived in accordance with the following formula:

\[
\text{CMCA}_{t} = \left( \frac{\text{EnCMC}_{t-2} + \text{ExCMC}_{t-2}}{\text{RPIA}_{t-2}} - \text{CMCE}_{t-2} \right) \times \text{PVF}_{t-2} \times \text{PVF}_{t-1}
\]

where:

- \text{EnCMC}_{t-2} means the Constraint Management costs, as derived in accordance with Part B of this condition, incurred by the Licensee in Formula Year \( t-2 \) in respect of Entry Capacity Constraint Management.

- \text{ExCMC}_{t-2} means the Constraint Management costs, as derived in accordance with Part C of this condition, incurred by the licensee in Formula Year \( t-2 \) in respect of Exit Capacity Constraint Management.

- \text{CMCE}_{t-2} means the Constraint Management cost allowance for Formula Year \( t-2 \) as set out in Appendix 1 to this condition.

- \text{RPIA}_{t-2} has the value given to it by Part D of Special Condition 2A.

- PVF\textsubscript{t} has the value given to it by Part D of Special Condition 2A.

**Part H: Formula for the Constraint Management operational performance measure (CMOpPM\textsubscript{t})**

3B.25 For the purposes of Part F of this condition, CMOpPM\textsubscript{t} means the Constraint Management operational performance measure in respect of Formula Year \( t \) and shall be derived in accordance with the following formula:

\[
\text{CMOpPM}_{t} = \text{CMOpC}_{t} - \text{ExBBCNLRA}_{t} - \text{RODEC}_{t} - \text{RIEC}_{t} - (\text{RNOEC}_{t} - \text{RAREnCA}_{t}) - \text{RCOR}_{t} - \text{RLOC}_{t} - \text{ROPExC}_{t} - \text{RNOExC}_{t} - \text{RODExC}_{t} - \text{RADD}_{t}
\]

where:

- \text{CMOpC}_{t} means the Constraint Management operational costs incurred by the Licensee in Formula Year \( t \) in respect of Entry Capacity and Exit...
Capacity Constraint Management as derived in accordance with Part D of this condition.

$\text{ExBBCNLRA}_t$ means the Exit Capacity buyback costs incurred by the Licensee in respect of Formula Year $t$ which:

(a) arise 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) arise as a result of an Aggregate Overrun of Exit Capacity at an NTS Exit Point;

(c) arise in respect of any NTS Exit Point in respect of which the Licensee has notified a planned maintenance Day in accordance with the Network Code; and/or

(d) Users are liable to reimburse to the Licensee in accordance with the Network Code.

$\text{RODEC}_t$ means revenue derived by the Licensee in respect of Formula Year $t$ from on the Day sales of Obligated Entry Capacity.

$\text{RIEC}_t$ means revenue derived by the Licensee in respect of Formula Year $t$ from the sale of Interruptible Entry Capacity.

$\text{RNOEC}_t$ means the revenue derived by the Licensee in respect of Formula Year $t$ from sales of Non-obligated Entry Capacity.

$\text{RAREnCA}_t$ 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 in Formula Year $t$.

$\text{RCOR}_t$ means the revenue derived by the Licensee in respect of Formula Year $t$ from system entry overrun charges (having the meaning given in the Network Code).

$\text{RLOC}_t$ means the revenue derived by the Licensee in respect of Formula Year $t$ from locational sell actions and physical renomination incentive charges (having the meaning given to these terms in the Network Code).

$\text{ROPExC}_t$ means the revenue derived by the Licensee in respect of Formula Year $t$ from the sale of Off-peak Exit Capacity.

$\text{RNOExC}_t$ means the revenue derived by the Licensee in respect of Formula Year $t$ from the sale of Non-obligated Exit Capacity.

$\text{RODExC}_t$ means the revenue derived by the Licensee in respect of Formula Year $t$ from on the Day sales of Obligated Exit Capacity.

$\text{RADD}_t$ means any further revenues derived by the Licensee in respect of Formula Year $t$ that the Authority has directed to include in the formula for the Constraint Management performance measure ($\text{CMOpPM}_t$).

**Part I: Formula for the Constraint Management operational target ($\text{CMOpTC}_t$)**

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 – 10 December 2019
3B.26 For the purposes of Part F of this condition, CMOpTC\textsubscript{t} means the Constraint Management operational target cost in respect of Formula Year \( t \) and shall be derived in accordance with the following formula:

\[
CMOpTC\textsubscript{t} = CMOpBT\textsubscript{t} + CMOpDT\textsubscript{t}
\]

where:

- \( CMOpBT\textsubscript{t} \): means the Constraint Management base target in respect of Formula Year \( t \) as specified in the table in Appendix 2.
- \( CMOpDT\textsubscript{t} \): means the variation to the Constraint Management target (which could be positive or negative) and shall be such value (or values) as shall be determined in accordance with Part J of this condition. Such value (or values) shall be deemed to be incorporated in the table set out in Appendix 2.

**Part J: Determination of the variation to the Constraint Management operational target (CMOpDT\textsubscript{t})**

3B.27 For the purposes of Part I of this condition, CMOpDT\textsubscript{t} means the variation to the Constraint Management operational target in respect of Formula Year \( t \) from time to time determined by the Authority following an application by the Licensee under this Part J.

3B.28 The Licensee must make an application in writing to the Authority setting out its proposal for CMOpDT\textsubscript{t}, which relates to a variation in the Constraint Management target arising from the application of the uncertainty mechanisms set out in any one of the following conditions:

(a) Special Condition 5F (Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply);
(b) Special Condition 5G (Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply); and
(c) Special Condition 5E (Arrangements for the recovery of uncertain costs) in relation to One-off Asset Health Costs, Industrial Emissions Costs and Network Flexibility Costs.

3B.29 Where the Licensee makes an application pursuant to paragraph 3B.28 of this condition it must include, in sufficient detail to enable the Authority to decide whether the Licensee should implement the proposal including the following:

(a) the uncertainty mechanism that has triggered the value for CMOpDT\textsubscript{t};
(b) the evidence to support the Licensee’s proposal;
(c) the date from which the variation to the Constraint Management target would apply and, where relevant, the date to which it would apply; and
(d) the value that the CMOpDT\textsubscript{t} term should take in each relevant Formula Year.

3B.30 The Licensee must keep a record of each application made pursuant to paragraph 3B.28 of this condition.

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 – 10 December 2019
3B.31 The Licensee must provide the Authority with such additional information as the Authority reasonably requests for the purposes of considering the application made by the Licensee pursuant to paragraph 3B.28.

3B.32 The Licensee must implement the proposal as set out within the written application made pursuant to paragraph 3B.28 of this condition or as modified in accordance with paragraph 3B.33 of this condition, unless:

(a) the Authority has, within 7 days from the receipt by the Authority of the written application, notified the Licensee in writing, on or before that date, to suspend implementation of the proposal because in its opinion the application made pursuant to paragraph 3B.28 of this condition requires further consideration to evaluate whether the proposal, and the supporting information, is consistent with the Licensee’s duties under the Act and the standard, Standard Special and Special Conditions; and

(b) the Authority has, within 28 days from the receipt by the Authority of the written application, directed the Licensee, on or before that date, not to implement that proposal.

3B.33 Where the Authority has notified the Licensee in writing to suspend implementation of the proposal in accordance with paragraph 3B.32 of this condition:

(a) the Authority may direct the Licensee, within 28 days from the receipt by the Authority of the written application, to implement the proposal in accordance with the application made pursuant to paragraph 3B.31 of this condition; or

(b) the Authority may direct the Licensee, within 28 days from the receipt by the Authority of the written application, 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.

3B.34 The Licensee may withdraw a proposal made pursuant to paragraph 3B.28 of this condition within 7 days from receipt by the Authority of the application.

3B.35 Where the Authority has notified the Licensee under paragraph 3B.33(a) of this condition to suspend implementation of the proposal made pursuant to paragraph 3B.28 of this condition, the Licensee may withdraw such a proposal within 28 days from receipt by the Authority of the application unless the Authority has otherwise directed the Licensee to implement the proposal in accordance with paragraph 3B.33 of this condition.

Part K: Derivation of RAREnC and EXBBCNLRI

3B.36 For the purposes of Part A of this condition, RAREnC means the revenue from the accelerated release of Incremental Obligated Entry Capacity from sales of Non-Obligated Entry Capacity at an NTS Entry Point and will be derived in accordance with the following formula:

$$ RAREnC_t = \frac{RAREnCA_{t-2}}{RPIA_{t-2}} \times PVF_{t-2} \times PVF_{t-1} $$

where:

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 – 10 December 2019
RAREnCA_{t-2}

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 in Formula Year t-2 as defined in Part H of this condition.

PVF_{t} has the value given to it by Special Condition 2A.

3B.37 For the purposes of Part A of this condition, ExBBCNLRA_{t} means the specific Exit Capacity buyback costs passed through revenue and will be derived in accordance with the following formula:

\[ \text{ExBBCNLRA}_{t} = \frac{\text{ExBBCNLRA}_{t-2}}{\text{PIA}_{t-2}} \times \text{PVF}_{t-2} \times \text{PVF}_{t-1} \]

where:

ExBBCNLRA_{t-2} means the Exit Capacity buyback costs incurred by the Licensee in respect of year t-2 as defined in Part H of this condition.

PVF_{t} has the value given to it by Special Condition 2A.

**Part L: Obligation to produce a statement of Capacity Constraint Management cost allocation rules**

3B.38 The Licensee will by the date that is 30 days after the date on which the Authority issues a decision giving effect to this licence condition or such later date as the Authority may otherwise direct in writing, prepare and submit for approval by the Authority a statement of Constraint Management cost allocation rules, setting out the rules it must apply in attributing Constraint Management costs for the purposes of Part D and Part E of this condition.
### Appendix 1: Constraint management cost allowance (CMCE) (£m 2009/10 values)

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### Appendix 2: Constraint Management Targets (CMOpBT) (£m 2009/10 values)

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### Appendix 3: Annual lower limits on Constraint Management Incentive Revenue (ANLL) (£m 2009/10 values)

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### Appendix 4: Annual upper limits on Constraint Management Incentive Revenue (ANLU) (£m 2009/10 values)

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Special Condition 3C. NTS Transportation Support Services

Introduction

3C.1 The purpose of this condition is to calculate the value of the NTS Transportation Support Services (TSS) allowed revenue, being the sum of costs relating to NTS Transportation Support Services and the incentive revenue from the application of the incentive scheme in relation to performance within Formula Year t-2, for the purposes of Part C of Special Condition 3A (Restriction of NTS System Operation Revenue).

3C.2 The TSSt allowed revenue reflects the expected costs and incentive revenue in Formula Year t and includes an adjustment for the difference between the expected and actual revenues in Formula Year t-2.

3C.3 The expected cost in Formula Year t is equal to the target cost set for NTS Transportation Support Services in that Formula Year and the expected incentive revenue in Formula Year t is zero.

3C.4 The cost adjustment in Formula Year t is the difference between the expected cost in Formula Year t and the actual costs experienced in Formula Year t-2.

3C.5 The incentive revenue adjustment in Formula Year t is the difference between the expected incentive revenue in Formula Year t, zero, and the actual incentive revenue in Formula Year t-2.

3C.6 The effect of the application of the TSS term in Part C of Special Condition 3A is to ensure that the level of the Licensee’s Maximum NTS System Operation Revenue derived in accordance with that condition reflects the performance of the Licensee in relation to its management of NTS Transportation Support Services on the NTS.

Part A: Formula for the NTS Transportation Support Services allowed revenue (TSS)

3C.7 For the purposes of Part C of Special Condition 3A (Restriction of NTS System Operation Revenue) the TSS term is derived in accordance with the following formula:

\[ TSS_t = (TSSTC_t + TSSIR_t + TSSCA_t) \times RPIF_t \]

where:

- \( TSSTC_t \) means the NTS Transportation Support Services target cost in respect of Formula Year t as set out in Appendix 1.
- \( TSSIR_t \) means the incentive revenue, as defined in Part C of this condition, incurred by the Licensee in respect of Formula Year t in providing NTS Transportation Support Services.
- \( TSSCA_t \) means the cost adjustment, as defined in part D of this condition, incurred by the licensee in respect of Formula Year t in providing NTS Transportation Support Services.
- \( RPIF_t \) has the value given to it by Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue).
Part B: Formula for the NTS Transportation Support Services Costs (TSSCₜ)

3C.8 TSSCₜ means the costs incurred by the Licensee in respect of Formula Year t in acquiring NTS Transportation Support Services derived in accordance with the following formula:

\[ \text{TSSCₜ} = \text{LRCICₜ} + \text{CLNGCₜ} \]

where:

- LRCICₜ means the costs incurred by the Licensee in Formula Year t in respect of acquiring NTS Transportation Support Services in relation to long run contracts for the delivery of Non-incremental Obligated Exit Capacity that the Licensee is obliged to offer for sale at the following NTS Offtakes: Abson (Seabank Power station phase I), Terra Nitrogen (also known as ICI/ Terra Severnside), Barton Stacey Max Refill and Avonmouth Max Refill.

- CLNGCₜ means the costs incurred by the Licensee in Formula Year t in acquiring NTS Transportation Support Services provided in relation to its use of the Constrained Storage Facility at Avonmouth (Constrained Storage Facility having the meaning given in the Network Code).

Part C: Formula for the NTS Transportation Support Services Incentive Revenue (TSSIRₜ)

3C.9 TSSIRₜ means the incentive revenue for Formula Year t in providing NTS Transportation Support Services derived in accordance with the following formula:

\[ \text{TSSIRₜ} = \text{TSSSF} \times \left( \frac{\text{TSSTC}_{t-2} - \text{TSSC}_{t-2}}{\text{RPIA}_{t-2}} \right) \times \text{PVF}_{t-2} \times \text{PVF}_{t-1} \]

where:

- TSSTCₜ means the NTS Transportation Support Services target cost in respect of Formula Year t as set out in Appendix 1.

- TSSCₜ means the costs incurred by the Licensee in respect of Formula Year t-2 in acquiring NTS Transportation Support Services as given in paragraph 3C.8.

- RPIAₜ means the value given to it by Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue).

- TSSSF means the NTS Transportation Support Services sharing factor and will take the value of 44.36 per cent.

- PVFₜ means the present value adjustment term for Formula Year t as defined in Part D of Special Condition 3A (Restriction of NTS System Operation Revenue).

Part D: Formula for the NTS Transportation Support Services Cost Adjustment (TSSCAₜ)

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 – 10 December 2019
3C.10 TSSCA\_t means the cost adjustment for Formula Year t in providing NTS Transportation Support Services derived in accordance with the following formula:

\[
TSSCA\_t = \left( \frac{TSSC\_t-2}{RPIA\_t-2} - TSSTC\_t-2 \right) \times PVF\_t-2 \times PVF\_t-1
\]

where:

- \(TSSTC\_t-2\) means the NTS Transportation Support Services target cost in respect of Formula Year \(t-2\) as set out in Appendix 1.
- \(TSSC\_t-2\) means the costs incurred by the Licensee in respect of Formula Year \(t-2\) in acquiring NTS Transportation Support Services as given in paragraph 3C.8.
- \(RPIA\_t-2\) has the value given to it by Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue).
- \(PVF\_t\) is the present value adjustment term for Formula Year \(t\) as defined in Part D of Special Condition 3A (Restriction of NTS System Operation Revenue).

**Part E: Scheme Length**

3C.11 This incentive will apply, unless otherwise directed by the Authority, in relation to the costs incurred by the Licensee from 1 April 2013 up to and including 30 September 2018.

3C.12 For the purposes of Part B of this condition unless otherwise directed by the Authority, the NTS Transportation Support Services costs term (TSSC\_t) will have the value zero for all days from 1 October 2018.

3C.13 For the purposes of Part C of this condition unless otherwise directed by the Authority, the NTS Transportation Support Services incentive revenue (TSSIR\_t) will have the value zero for all days before 1 April 2015 and for all days from 1 October 2020.

3C.14 For the purposes of Part D of this condition unless otherwise directed by the Authority, the NTS Transportation Support Services cost adjustment (TSSCA\_t) will have the value zero for all days before 1 April 2015 and for all days from 1 October 2020.
### Appendix 1: NTS Transportation Support Services incentive target

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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 – 10 December 2019
Special Condition 3D: NTS System Operator external incentives, costs and revenues

Introduction

3D.1 The purpose of this condition is to set out the scope and methods for the determination of the level of ‘external’ costs and revenues that the Licensee is entitled to recover including as a consequence of the application of a number of gas system operator external incentive schemes.

PART A External cost incentive revenue (SOOIRC)

(a) Principal formula

3D.2 For each Formula Year t, for the purposes of Part C (Calculation of Maximum NTS System Operation Revenue (SOMR)) of Special Condition 3A (Restriction of NTS System Operation Revenue), the maximum external cost incentive revenue allowed to the Licensee (£m) in respect of Formula Year t (SOOIRC) is derived in accordance with the following formula (in this condition, the “Principal Formula”):

\[
SOOIRC_t = SC_t + OMC_t + RBC_t + SIR_t + OMIR_t + RBIR_t + QDFIR_t + GHGIR_t + GHGC_t + MIR_t + GHGIM_t
\]

3D.3 In the Principal Formula:

- **SC** means the total costs incurred by the Licensee (£m) in Formula Year t in respect of system costs as derived in accordance with the following formula:

\[
SC_t = \sum_q \left[ GC_{t,q} + ECC_{t,q} \right]
\]

where:

- \( \sum_q \) means the sum over all Relevant Quarter Years q in the relevant Formula Year t.
- **GC** means the total costs incurred by the Licensee (£m), less any revenues received from third parties in respect of Relevant Quarter Year q in Formula Year t in the management of NTS Shrinkage (which has the meaning given to that term in the network code) other than those payments included in the calculation of **ECC**.
- **ECC** means the total costs (£m) incurred by the Licensee in respect of Relevant Quarter Year q in Formula Year t in procuring electricity for the purposes of operating Electric Compressors.
OMC_t means the total costs incurred by the Licensee (£m) in respect of Formula Year t in respect of the procurement of availability and utilisation of Operating Margins services for the purposes of satisfying Operating Margins Requirements (having the meaning given to those terms in the network code) including 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 network code) in the event of service utilisation multiplied by the relevant utilisation volume.

RBC_t means an amount (£m) equal to the revenue equivalent to the net residual balancing costs incurred by the Licensee in respect of Formula Year t and shall be equal to the sum of the Basic Net Neutrality Amount and the Adjustment Neutrality Amount (having the meanings given to each of those terms in the network code) across all Days in Formula Year t.

SIR_t means the NTS Shrinkage Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.4 of this condition.

OMIR_t means the Operating Margins Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.25 of this condition.

RBIR_t means the Residual Gas Balancing Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.26 of this condition.

QDFIR_t means the Quality of Demand Forecasting Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.33 of this condition.

GHGIR_t means the Greenhouse Gas Emissions Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.37 of this condition.

GHGC_t means the efficient Greenhouse Gas Emissions Project Costs (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.38 of this condition.

MIR_t means the Maintenance Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.40 of this condition.

GHGIM_t means the Greenhouse Gas Emissions Investigation Mechanism value (£m) in respect of Formula Year t as derived in accordance with paragraphs 3D.46 – 3D.48 of this condition.

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 – 10 December 2019
PART B NTS Shrinkage Incentive

(a) The NTS Shrinkage Incentive Revenue (SIR_t)

3D.4 For the purposes of the Principal Formula, SIR_t (£m) in respect of Formula Year t commencing on 1 April 2013 and each subsequent Formula Year t until 31 March 2021 is derived in accordance with the following formula:

if \( SIT_t \geq SCMR_t \), then:

\[
SIR_t = \min \left[ \text{USF}_t \times (SIT_t - SCMR_t), \text{CAP}_t \right]
\]

otherwise:

\[
SIR_t = \max \left[ \text{DSF}_t \times (SIT_t - SCMR_t), \text{COL}_t \right]
\]

3D.5 In the above formula for SIR_t:

- \( SIT_t \) means the NTS shrinkage incentive target (£m) as derived in accordance with paragraph 3D.6 of this condition.
- \( SCMR_t \) means the NTS shrinkage incentive cost performance measure in respect of Formula Year t as derived in accordance with the following formula:

\[
SCMR_t = SC_t + MR_t
\]

where:

- \( SC_t \) has the meaning set out in paragraph 3D.3 of this condition.
- \( MR_t \) means the net amount of revenues received by the Licensee (£m) due to the reconciliation of Measurement Errors (as defined in the network code OAD D1.2.1) and/or meter errors (as described in the network code TPD M1.9) in respect of Formula Year t commencing 1 April 2009 and each subsequent Formula Year t.
- \( USF_t \) means the upside sharing factor in respect of Formula Year t as set out in Table 1 below.
- \( DSF_t \) means the downside sharing factor in respect of Formula Year t as set out in Table 1 below.
- \( \text{CAP}_t \) means the maximum shrinkage incentive revenue (£m) in respect of Formula Year t as set out in Table 1 below.
- \( \text{COL}_t \) means the minimum shrinkage incentive revenue (£m) in respect of Formula Year t as set out in Table 1 below.

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 – 10 December 2019
### Table 1

<table>
<thead>
<tr>
<th></th>
<th>For Formula Year t</th>
</tr>
</thead>
<tbody>
<tr>
<td>USF&lt;sub&gt;t&lt;/sub&gt;</td>
<td>0.45</td>
</tr>
<tr>
<td>DSF&lt;sub&gt;t&lt;/sub&gt;</td>
<td>0.45</td>
</tr>
<tr>
<td>CAP&lt;sub&gt;t&lt;/sub&gt; (£m)</td>
<td>7</td>
</tr>
<tr>
<td>COL&lt;sub&gt;t&lt;/sub&gt; (£m)</td>
<td>-7</td>
</tr>
</tbody>
</table>

(b) The NTS Shrinkage Incentive Target

3D.6 For the purposes of paragraph 3D.5 of this condition, \( SIT_t \) (£m) is derived in accordance with the following formula:

\[
SIT_t = EPT_t + EEPTA_t + TA_t + OSC_t
\]

where:
- \( EPT_t \) means the NTS shrinkage energy procurement target including swing allowance (£m) in respect of Formula Year \( t \) as derived in accordance with paragraph 3D.7 of this condition.
- \( EEPTA_t \) means the NTS shrinkage energy efficiency performance target adjustment (£m) in respect of Formula Year \( t \) as derived in accordance with paragraph 3D.14 of this condition.
- \( TA_t \) means the Transmission Network Use of System (TNUoS) charges allowance (£m) in respect of Formula Year \( t \) as derived in accordance with paragraph 3D.15 of this condition.
- \( OSC_t \) means other shrinkage costs (£m) in respect of Formula Year \( t \) as derived in accordance with paragraph 3D.16 of this condition.

(c) Energy procurement target

3D.7 For the purposes of paragraph 3D.6 of this condition, \( EPT_t \) (£m) is derived in accordance with the following formula:

\[
EPT_t = \sum_{i \in \text{g}} \left( \frac{\text{FEVT}_{t,i} \times \text{FECRP}_{t,i}}{1000} \right) + \left( \frac{\text{FGVT}_{t,i} \times \text{FGCRP}_{t,i}}{100} \right) + \sum_{i \in \text{w}} \left( \frac{\text{PEVT}_{t,w} \times \text{PECRP}_{t,w}}{1000} \right) + \left( \frac{\text{PGVT}_{t,w} \times \text{PGCRP}_{t,w}}{100} \right) + \text{SCA}_t
\]

where:
\[\sum_{t,q} x_{t,q}\] means the sum of \(x\) over all Relevant Quarter Years \(q\) in Formula Year \(t\).

\[\sum_{t,w} x_{t,w}\] means the sum of \(x\) over all relevant weeks \(w\) in Formula Year \(t\).

\(\text{FEVT}_{t,q}\) means the forward electricity volume target (GWh) in respect of Relevant Quarter Year \(q\) of Formula Year \(t\) determined in accordance with the NTS Shrinkage Incentive Methodology Statement. For the avoidance of doubt, where relevant week \(w\) falls within two different Relevant Quarter Years \(q\), \(\text{FEVT}_{t,q}\) for a particular Day \(d\) shall be equal to the value for the Relevant Quarter Year \(q\) within which the relevant Day \(d\) occurs.

\(\text{FECRP}_{t,q}\) means the forward electricity cost reference price (£/MWh) in respect of Relevant Quarter Year \(q\) of Formula Year \(t\) as derived in accordance with paragraph 3D.11 of this condition.

\(\text{FGVT}_{t,q}\) means the forward gas volume target (GWh) in respect of Relevant Quarter Year \(q\) of Formula Year \(t\) determined in accordance with the NTS Shrinkage Incentive Methodology Statement. For the avoidance of doubt, where relevant week \(w\) falls within two different Relevant Quarter Years \(q\), \(\text{FGVT}_{t,q}\) for a particular Day \(d\) shall be equal to the value for the Relevant Quarter Year \(q\) within which the relevant Day \(d\) occurs.

\(\text{FGCRP}_{t,q}\) means the forward gas cost reference price (p/kWh) in respect of Relevant Quarter Year \(q\) of Formula Year \(t\) as derived in accordance with paragraph 3D.8 of this condition.

\(\text{PEVT}_{t,w}\) means the prompt electricity volume target (GWh) in respect of relevant week \(w\) of Formula Year \(t\) as derived in accordance with the following formula:

\[
\text{PEVT}_{t,w} = \sum_d \left( \frac{\sum_{d} \text{OEV}_{t,w,d}}{7} - \frac{\text{FEVT}_{t,q}}{nq} \right)
\]

where:

\[\sum_{d} x_{t,w,d}\] means the sum of \(x\) over all Days \(d\) in relevant week \(w\) in Formula Year \(t\).

\(\text{OEV}_{t,w,d}\) means the volume of electricity (GWh) used by the Licensee for the purposes of operating Electric Compressors on relevant Day \(d\) in relevant week \(w\) in Formula Year \(t\).
nq means the number of Days in the Relevant Quarter Year q in which Day d occurs.

PECRP\textsubscript{t,w} means the prompt electricity cost reference price (£/MWh) in respect of relevant week w of Formula Year t as derived in accordance with paragraph 3D.13 of this condition.

PGVT\textsubscript{t,w} means the prompt gas volume target (GWh) in respect of relevant week w of Formula Year t as derived in accordance with the following formula:

\[
PGVT_{t,w} = \sum_{d} \left( \frac{\sum_{d} OGV_{t,wd}}{7} \right) - \frac{FGVT_{t,q}}{nq}
\]

where:

\[\sum_{d} x_{t,w,d}\] means the sum of x over all Days in relevant week w in Formula Year t.

OGV\textsubscript{t,w,d} means the volume of gas (GWh) used by the Licensee for the purposes of provision of NTS Shrinkage (which has the meaning given to that term in the network code) on relevant Day d in relevant week w in Formula Year t.

nq means the number of Days in the Relevant Quarter Year q in which Day d occurs.

PGCRP\textsubscript{t,w} means the prompt gas cost reference price (p/kWh) in respect of relevant week w of Formula Year t as derived in accordance with paragraph 3D.10 of this condition;

SCA\textsubscript{t} means the swing cost allowance (£m) in respect of Formula Year t as derived in accordance with the following formula:

\[SCA_{t} = 2 \times RPIF_{t}\]

where:

RPIF\textsubscript{t} is the price index adjustment factor as derived in accordance with Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence.

NTS Shrinkage Incentive Methodology Statement

means the NTS Shrinkage Incentive Methodology Statement provided for in section (i) of this condition.

(d) The NTS Shrinkage gas cost reference price
3D.8 For the purposes of paragraph 3D.7 of this condition, FGCRP_{t,q} (p/kWh) is derived in accordance with the following formula:

\[ FGCRP_{t,q} = \frac{\sum_{d=a}^{b} GQFP_{t,q,d}}{nbq} \]

where:

\[ \sum_{d=a}^{b} \]

means the sum over all business days d between business day a and business day b (both inclusive).

\[ GQFP_{t,q,d} \]

means the mid-point of the forward bid/offer price (expressed in p/kWh) as quoted in the “ICIS Heren European Spot Gas Markets” published price reporting service (or any similar reporting service directed by the Authority) on business day d for a gas contract for delivery at the national balancing point (having the meaning given to that term in the published price reporting service) in respect of Relevant Quarter Year q in Formula Year t.

\[ a \]

means the first business day of the ninth month prior to the commencement of the Relevant Quarter Year q of Formula Year t.

\[ b \]

means the last business day of the month prior to the commencement of the Relevant Quarter Year q of Formula Year t.

\[ nbq \]

means the number of business days between a and b inclusive.

3D.9 For the purposes of paragraph 3D.7 of this condition, FGCRP_{t,q} in respect of Relevant Quarter Year q of Formula Year t commencing 1 April 2021 shall be determined in accordance with paragraph 3D.8 of this condition unless an alternative method is identified which has been subject to consultation with industry parties, the conclusion of which occurs prior to 1 July 2020, or where this change is made with the prior consent of the Licensee.

3D.10 For the purposes of paragraph 3D.7 of this condition, PGCRP_{t,w} (p/kWh) is derived in accordance with the following formula:

\[ PGCRP_{t,w} = \frac{\sum_{d=y}^{z} GWFP_{t,w,d}}{nw} \]

where:

\[ \sum_{d=y}^{z} \]

means the sum over all business days in the week prior to the commencement of week w of Formula Year t.
GWFP_{t,w,d} means the mid-point of the forward bid/offer price (expressed in p/kWh) as quoted in the “ICIS Heren European Spot Gas Markets” published price reporting service (or any similar reporting service directed by the Authority) on business day d for the “working days next week” (WDNW) gas contract for delivery at the national balancing point (having the meaning given to that term in that published price reporting service) in respect of week w of Formula Year t.

y means the first business day of the week prior to the commencement of week w in Formula Year t.

z means the last business day of the week prior to the commencement of week w in Formula Year t.

nw means the number of business days between y and z inclusive.

(e) The NTS Shrinkage electricity cost reference price

3D.11 For the purposes of paragraph 3D.7 of this condition, FECRP_{t,q} (£/MWh) is derived in accordance with the following formula:

$$FECRP_{t,q} = \frac{\sum_{d=a}^{b} EQFP_{t,q,d}}{nbqe}$$

where:

- $\sum_{d=a}^{b}$ means the sum over all business days d between day a and day b (inclusive).

- EQFP_{t,q,d} means the mid-point of the forward bid/offer price (expressed in £/MWh) as quoted in the “ICIS Heren European Daily Electricity Markets” published price reporting service (or any similar reporting service directed by the Authority) on business day d for a baseload electricity contract for delivery in respect of Relevant Quarter Year q of Formula Year t.

- a means the first business day of the ninth month prior to the commencement of the Relevant Quarter Year q of Formula Year t.

- b means the last business day of the month prior to the commencement of the Relevant Quarter Year q of Formula Year t.

- nbqe means the number of business days between a and b inclusive on which a forward bid/offer price is quoted in the “ICIS Heren European Daily Electricity Markets” published price reporting service (or any similar reporting service directed by the Authority) on business day d for a baseload electricity contract for delivery in respect of Relevant Quarter Year q of Formula Year t.
contract for delivery in respect of Relevant Quarter Year q of Formula Year t.

3D.12 For the purposes of paragraph 3D.7 of this condition, the forward electricity cost reference price (£/MWh) in respect of Relevant Quarter Year q of Formula Year t commencing 1 April 2021 (FECRP_{t,q}) shall be determined in accordance with paragraph 3D.11 of this condition unless an alternative method is identified which has been subject to consultation with interested parties, the conclusion of which occurs prior to 1 July 2020, or where this change is made with the prior consent of the Licensee.

3D.13 For the purposes of paragraph 3D.7 of this condition, PECRP_{t,w} (£/MWh) is derived in accordance with the following formula:

\[
\text{PECRP}_{t,w} = \frac{\sum_{d=y}^{z} \text{EWFP}_{t,w,d}}{nw}
\]

where:

- \( \sum_{d=y}^{z} \) means the sum over all business days in the week prior to the commencement of week w of Formula Year t.
- \( \text{EWFP}_{t,w,d} \) means the mid-point of the forward bid/offer price (expressed in £/MWh) as quoted in the “ICIS Heren European Daily Electricity Markets” published price reporting service (or any similar reporting service directed by the Authority) on business day d for a baseload electricity contract for delivery in respect of week w of Formula Year t.
- \( y \) means the first business day of the week prior to the commencement of week w in Formula Year t.
- \( z \) means the last business day of the week prior to the commencement of week w in Formula Year t.
- \( nw \) means the number of business days between y and z inclusive.

(f) The energy efficiency performance target adjustment

3D.14 For the purposes of paragraph 3D.6 of this condition EEPTA_{t} (£m) is derived in accordance with the following formula:
EEPTA\_t = \frac{WGRP\_t \times (EEVCVS\_t + EEVCFU\_t)}{100}

WGRP\_t means the weighted gas reference price (p/kWh) in respect of Formula Year t as derived in accordance with the following formula:

\[ WGRP\_t = \frac{\sum q (FGVT\_t,q \times FGCRP\_t,q) + \sum w (PGVT\_t,w \times PGCRP\_t,w)}{\sum q FGVT\_t,q + \sum w PGVT\_t,w} \]

where:

\[ \sum q x\_t,q \] means the sum of x over all Relevant Quarter Years q in Formula Year t.

\[ \sum w x\_t,w \] means the sum of x over all weeks w in Formula Year t.

EEVCVS\_t means the energy efficiency variance for calorific value shrinkage (GWh) in respect of Formula Year t determined in accordance with the NTS Shrinkage Incentive Methodology Statement.

EEVCFU\_t means the energy efficiency variance for energy for gas and electrically powered gas compression equipment (GWh) used by the Licensee to increase the pressure of gas in a part of the pipeline system to which this licence relates in respect of Formula Year t determined in accordance with the NTS Shrinkage Incentive Methodology Statement.

(g) Transmission Network Use of System (TNUoS) charges allowance

For the purposes of paragraph 3D.6 of this condition, TA\_t (£m) is derived in accordance with the following formula:

\[ TA\_t = \frac{\sum s (PC\_t,s \times TDT\_t,s)}{1,000,000} \]

where:

\[ \sum s x \] means the sum of x over all Relevant Compressor Sites s in respect of Formula Year t.

\[ PC\_t,s \] means the prevailing capacity as defined in the relevant connection agreements (kW) with effect from the relevant date set out in the relevant Bilateral Agreement (or in the Use of
System Supply Confirmation Notice) in respect of Relevant Compressor Site s in respect of Formula Year t.

\( \text{TDT}_{t,s} \) means the TNUoS Demand Tariff (£/kW) in respect of Formula Year t and in respect of the charging zone in which the Relevant Compressor Site s is located, published by National Grid Electricity Transmission plc in its Statement of Use of System Charges at 1 April in Formula Year t or any other equivalent tariff or tariffs replacing it.

Bilateral Agreement and Use of System Supply Confirmation Notice shall each have the meaning given to those terms in the electricity Connection and Use of System Code established under Condition 10 (Connection and Use of System Code (CUSC)) of the electricity transmission licence of National Grid Electricity Transmission plc.

(h) Other shrinkage costs

3D.16 For the purposes of paragraph 3D.6 of this condition, \( \text{OSC}_t \) (£m) is derived in accordance with the following formula:

\[ \text{OSC}_t = \text{CRCEES}_t + \text{EUETS}_t + \text{NEEC}_t \]

where:

- \( \text{CRCEES}_t \) means the Carbon Reduction Commitment Energy Efficiency Scheme costs (£m) incurred by the Licensee in operating its electric compressors in respect of Formula Year t.
- \( \text{EUETS}_t \) means the net amount of costs (whether of a positive or negative value) incurred by the Licensee in respect of the European Union Emissions Trading System (£m) as a result of operation of its gas compressors in respect of Formula Year t.
- \( \text{NEEC}_t \) means the non-energy costs (£m) incurred by the Licensee in respect of Formula Year t as derived in accordance with the following formula:

\[ \text{NEEC}_t = \text{DUoS}_t + \text{SMC}_t \]

where:

- \( \text{DUoS}_t \) means the Distribution Use of System costs (£m) in respect of Formula Year t to be incurred by the Licensee in operating its Electric Compressors as derived in accordance with the following formula:
$$DUs_{t,s} = \sum_{s} [\text{kVAC}_{t,s} + \text{FC}_{t,s} + \text{CC}_{t,s} + \text{RPC}_{t,s}]$$

where:

\[\sum_{t} x\] means the sum of x over all Relevant Compressor Sites s in respect of Formula Year t.

kVAC_{t,s} means the capacity charge including any excess capacity charges (£m) applicable to that Relevant Compressor Site s in respect of Formula Year t calculated as the Chargeable kVA specified in the electricity connection agreement for that site s multiplied by the relevant kVA tariff in respect of Formula Year t applicable to that site published in the “Use of System Charging Statement” (or otherwise made available) by the relevant electricity distribution network operator.

FC_{t,s} means the fixed charge (£m) applicable to that Relevant Compressor Site s in respect of Formula Year t as published in the “Use of System Charging Statement” (or otherwise made available) by the relevant electricity distribution network operator or any other equivalent applicable charge replacing it.

CC_{t,s} means the distribution use of system consumption charge (£m) for Relevant Compressor Site s in respect of Formula Year t calculated from the half-hourly metered consumption of electricity at that site multiplied by the relevant consumption tariff in respect of Formula Year t applicable to that site as published in the “Use of System Charging Statement” (or otherwise made available) by the relevant electricity distribution network operator or any other equivalent applicable charge replacing it.

RPC_{t,s} means the reactive power charge for Relevant Compressor Site s in respect of Formula Year t as published in the “Use of System Charging Statement” (or otherwise made available) by the relevant electricity distribution network operator or any other equivalent applicable charge replacing it.

SMC_{t} means the supplier and market charges (£m) incurred by the Licensee in Formula Year t in the provision of NTS Shrinkage and shall include (without limitation) costs.
associated with trading gas and electricity and all invoiced charges for electricity procurement other than commodity charges (which cover the wholesale baseload and shape costs of electricity). These charges (without limitation) include Renewables Obligations costs, Assistance for Areas with High Electricity Distribution costs, Feed in tariff costs, Balancing Services Use of System costs, Climate Change Levy costs, supplier margins (including risk premiums), such other costs as may be levied on the market from time to time, subscription costs for published price reporting services as set out in paragraphs 3D.8, 3D.10, 3D.11 and 3D.13 of this condition, trading operations licence fees and credit management arrangement fees.

3D.17 For the avoidance of doubt for calculations relating to shrinkage electricity reference prices and electricity costs incurred by the Licensee, including (without limitation) the terms $ECC_t$, $FECRP_{t,q}$, $EQFP_{t,q,d}$, $PECRP_{t,w}$, $EWFP_{t,w,d}$, a Day is defined as a Settlement Day as defined in the Balancing and Settlement Code.

(i) The NTS Shrinkage Incentive Methodology Statement

3D.18 For the purposes of paragraph 3D.7 of this condition, the Licensee shall use reasonable endeavours to establish a methodology (“the NTS Shrinkage Incentive Methodology Statement”) showing the methods by which, and the principles on which, the data mentioned in paragraph 3D.20 of this condition are to be determined as approved by the Authority.

3D.19 Prior to the commencement of the Formula Year commencing on 1 April 2013 and each subsequent Formula Year, the Licensee shall use reasonable endeavours to publish on its website the NTS Shrinkage Incentive Methodology Statement (or Statements) to apply in respect of that Formula Year.

3D.20 The NTS Shrinkage Incentive Methodology Statement will contain:

(a) for the purposes of paragraph 3D.7 of this condition, rules for the determination of $FGVT_{t,q}$ and the timetable for the publication of such values;

(b) for the purposes of paragraph 3D.7 of this condition, rules for the determination of $FEVT_{t,q}$ and the timetable for the publication of such values;

(c) for the purposes of paragraph 3D.14 of this condition, rules for the determination of $EEVCVS_t$ and the timetable for the publication of such values; and

(d) for the purposes of paragraph 3D.14 of this condition, rules for the determination of $EEVCFU_t$ and the timetable for the publication of such values.
3D.21 Unless the Authority otherwise directs in writing, the Licensee must use reasonable endeavours to publish a statement from an Independent Examiner by 31 July 2014 and by 31 July in each subsequent Formula Year in respect of Formula Year t-1, confirming that the Independent Examiner has carried out an examination of the application of the NTS Shrinkage Incentive Methodology Statement. Such examination shall include:

(a) examination of the analysis and formulae to confirm that the methodologies and rules have been correctly applied; and
(b) analysis of data flows to observe whether the values derived have been determined correctly in accordance with the methodology.

3D.22 Prior to the publication of the NTS Shrinkage Incentive Methodology Statement on the Licensee’s website in respect of the Formula Year commencing on 1 April 2013 and prior to any modification to the NTS Shrinkage Incentive Methodology Statement the Licensee shall:

(a) consult interested parties on the NTS Shrinkage Incentive Methodology Statement and, where applicable, any proposed modification and allow them a period of not less than 28 days within which to make written representations; and
(b) furnish the Authority with a report setting out:
   (1) the original NTS Shrinkage Incentive Methodology Statement and any modification proposal;
   (2) the representations (if any) made by interested parties; and
   (3) any changes to the proposed NTS Shrinkage Incentive Methodology Statement and any proposed modification as a consequence of such representations

provided that where the Licensee has complied with the requirements of sub-paragraphs (a) and (b), it will not make any modification to the NTS Shrinkage Incentive Methodology Statement where the Authority has, within 28 days of the report being furnished to it under sub-paragraph (b) given a direction to the Licensee that the modification shall not be made.

3D.23 Notwithstanding the Licensee’s ability to modify the NTS Shrinkage Incentive Methodology Statement as described in paragraph 3D.22 above, the Licensee will use reasonable endeavours to undertake a full review of the NTS Shrinkage Incentive Methodology Statement such that any consequential modification of such can be achieved prior to commencement of the Formula Year commencing on 1 April 2017.

3D.24 For the purposes of paragraph 3D.21 of this condition, the following definition will apply:

Independent Examiner means a person or persons nominated by and independent of the Licensee with the skills and knowledge to undertake an examination of the application of the NTS Shrinkage Incentive Methodology Statement.

PART C Operating Margins Incentive Revenue (OMIRt)
3D.25 For the purposes of the Principal Formula, OMIR_t, in respect of Formula Year t commencing on 1 April 2013 and each subsequent Formula Year t until 31 March 2021 shall take the value zero.
PART D Residual Gas Balancing Incentive Revenue (RBIR\(_t\))

3D.26 For the purposes of the Principal Formula, RBIR\(_t\) (£m) in respect of Formula Year commencing on 1 April 2013 and each subsequent Formula Year \(t\) until 31 March 2021 is derived in accordance with the following formula:

\[
RBIR_t = \text{Min} [RBCAP_t, \text{Max}(STIP_t, RBF_t)]
\]

3D.27 In the above formula for RBIR\(_t\):

- **RBCAP\(_t\)** means the maximum residual gas balancing incentive revenue (£m) in respect of Formula Year \(t\), and shall take the value £2m.
- **RBF\(_t\)** means the minimum residual gas balancing incentive revenue (£m) in respect of Formula Year \(t\), and shall take the value £-3.5m.
- **STIP\(_t\)** means the sum of the total daily incentive payments (£million) under the residual gas balancing incentive in respect of Formula Year \(t\) as derived in accordance with paragraph 3D.28 of this condition.

(a) The sum of the total daily incentive payments under the residual gas balancing incentive

3D.28 For the purposes of paragraph 3D.27 of this condition, STIP\(_t\) (£m) in Formula Year \(t\) is derived in accordance with the following formula:

\[
STIP_t = \frac{\sum_d \text{DPIP}_{t,d} + \sum_d \text{DLIP}_{t,d}}{1,000,000}
\]

where:

- \(\sum_d\) means the sum across all Days \(d\) in Formula Year \(t\).
- **DPIP\(_{t,d}\)** means the daily price incentive payment (£) in respect of Day \(d\) of Formula Year \(t\) as derived in accordance with paragraph 3D.29 of this condition.
- **DLIP\(_{t,d}\)** means the daily linepack incentive payment (£) in respect of Day \(d\) of Formula Year \(t\) as derived in accordance with paragraph 3D.31 of this condition.

(b) The daily price incentive payment

3D.29 For the purposes of paragraph 3D.28 of this condition, DPIP\(_{t,d}\) (£) on Day \(d\) in Formula Year \(t\) shall depend on the value of PPM\(_{t,d}\) and is derived in accordance with Table 2 below:

**Table 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 – 10 December 2019
For Formula Year \( t \),

<table>
<thead>
<tr>
<th>( \text{PPM}_{t,d} )</th>
<th>( \text{DPIP}_{t,d} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>( 0 \leq \text{PPM}_{t,d} \leq 5 )</td>
<td>( 1,500 - (\text{PPM}_{t,d} \times 1000) )</td>
</tr>
<tr>
<td>( 5 &lt; \text{PPM}_{t,d} &lt; 75.667 )</td>
<td>( -3,500 - (375 \times (\text{PPM}_{t,d} - 5)) )</td>
</tr>
<tr>
<td>( 75.667 \leq \text{PPM}_{t,d} )</td>
<td>( -30,000 )</td>
</tr>
</tbody>
</table>

where:

\( \text{PPM}_{t,d} \) means the daily price performance measure (%) in respect of Day \( d \) of Formula Year \( t \) as derived in accordance with paragraph 3D.30 of this condition.

(c) **The daily price performance measure**

3D.30 For the purposes of paragraph 3D.29 of this condition, \( \text{PPM}_{t,d} \) is derived in accordance with the following formula:

\[
\text{PPM}_{t,d} = \left( \frac{\text{TMIBP}_{t,d} - \text{TMISP}_{t,d}}{|\text{SAP}_{t,d}|} \right) \times 100
\]

where:

\( \text{TMIBP}_{t,d} \) means the price (p/kWh) which is equal to the highest market offer price (having the meaning given to that term in the network code) in relation to an eligible balancing action (having the meaning given to that term in the network code) excluding any locational actions taken in respect of Day \( d \) of Formula Year \( t \) unless the Licensee took no such eligible balancing action in respect of that Day in which case \( \text{TMIBP}_{t,d} \) shall equal \( \text{SAP}_{t,d} \).

\( \text{TMISP}_{t,d} \) means the price (p/kWh) which is equal to the lowest market offer price (having the meaning given to that term in the network code) in relation to an eligible balancing action (having the meaning given to that term in the network code) excluding any locational actions taken in respect of Day \( d \) of Formula Year \( t \) unless the Licensee took no such eligible balancing action in respect of that Day in which case \( \text{TMISP}_{t,d} \) shall equal \( \text{SAP}_{t,d} \).

\( \text{SAP}_{t,d} \) means the system average price (in p/kWh and having the meaning given to that term in the network code) in respect of Day \( d \) of Formula Year \( t \).

(d) **The daily linepack incentive payment**
3D.31 For the purposes of paragraph 3D.28 of this condition, DLIP_{t,d} (£) in respect of Day d in Formula Year t shall depend on the value of LPM_{t,d} and is derived in accordance with Table 3 below:

<table>
<thead>
<tr>
<th>LPM_{t,d}</th>
<th>DLIP_{t,d}</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 \leq LPM_{t,d} \leq LPUL_t</td>
<td>LDCAP_t</td>
</tr>
<tr>
<td>LPUL_t &lt; LPM_{t,d} &lt; LPT_t</td>
<td>\text{LDCAP}<em>t \times \left( \frac{LPT_t - LPM</em>{t,d}}{LPT_t - LPUL_t} \right)</td>
</tr>
<tr>
<td>LPM_{t,d} = LPT_t</td>
<td>0</td>
</tr>
<tr>
<td>LPLL_t &lt; LPM_{t,d} &lt; LPT_t</td>
<td>\text{LDF}<em>t \times \left( \frac{LPT_t - LPM</em>{t,d}}{LPT_t - LPLL_t} \right)</td>
</tr>
<tr>
<td>LPM_{t,d} \geq LPLL_t</td>
<td>\text{LDF}_t</td>
</tr>
</tbody>
</table>

where:

- LPM_{t,d} means the daily linepack performance measure (mcm) in respect of Day d of Formula Year t as derived in accordance with paragraph 3D.32 of this condition.
- LPT_t means the linepack performance target (mcm) in respect of Formula Year t and shall take the value 2.8mcm.
- LPUL_t means the linepack upper band limit (mcm) in respect of Formula Year t and shall take the value 1.5mcm.
- LDCAP_t means the linepack daily cap amount (£) in respect of Formula Year t and shall take the value £4,000.
- LPLL_t means the linepack lower limit (mcm) in respect of Formula Year t and shall take the value 15mcm.
- LDF_t means the linepack daily floor amount (£) in respect of Formula Year t and shall take the value -£30,000.

(e) The daily linepack performance measure

3D.32 For the purposes of paragraph 3D.31 of this condition, LPM_{t,d} is derived in accordance with the following formula:
\[ \text{LPM}_{t,d} = \text{Max} \left[ \left( \text{OLP}_{t,d} - \text{CLP}_{t,d} \right), \left( \text{CLP}_{t,d} - \text{OLP}_{t,d} \right) \right] \]

where:

- \( \text{OLP}_{t,d} \) means the total NTS linepack in respect of Day \( d \) of Formula Year \( t \) as at 05:00 hours on Day \( d \).
- \( \text{CLP}_{t,d} \) means the total NTS linepack in respect of Day \( d \) of Formula Year \( t \) as at 05:00 hours on Day \( d+1 \).
- \( \text{NTS linepack} \) means the volume of gas within the NTS as calculated by the Licensee in accordance with the methodology proposed by the Licensee for that purpose from time to time and approved by the Authority.
PART E  Quality of Demand Forecasting Incentive Revenue (QDFIR_t)

3D.33 For the purposes of the Principal Formula, QDFIR_t (£m) in respect of the Formula Year t is derived in accordance with the following formula:

\[ QDFIR_t = QDAIR_t + QTFIR_t \]

3D.34 In the above formula for QDFIR_t:

- \( QDAIR_t \) means the Quality of Day Ahead Demand Forecasting Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.35 of this condition.

- \( QTFIR_t \) means the Quality of Two to Five Days Ahead Demand Forecasting Incentive Revenue (£m) in respect of Formula Year t as derived in accordance with paragraph 3D.36 of this condition.

(a) Quality of Day Ahead Demand Forecasting Incentive Revenue (QDAIR_t)

3D.35 For the purposes of paragraph 3D.33 of this condition, QDAIR_t (£m) allowed to the Licensee in respect of the Formula Year t commencing on 1 April 2013 and each subsequent Formula Year t until 31 March 2021 is derived in accordance with Table 4 below:

<table>
<thead>
<tr>
<th>For Formula Year t</th>
<th>DAFIE_t</th>
<th>QDAIR_t</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 ≤ DAFIE_t &lt; DFA_t</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>DFA_t ≤ DAFIE_t &lt; 7.65+ DFA_t</td>
<td>10 - (1.111 x (DAFIE_t - DFA_t))</td>
<td></td>
</tr>
<tr>
<td>7.65+ DFA_t ≤ DAFIE_t &lt; 9.35+ DFA_t</td>
<td>15-(1.7647x (DAFIE_t – DFA_t))</td>
<td></td>
</tr>
<tr>
<td>9.35+ DFA_t ≤ DAFIE_t</td>
<td>-1.5</td>
<td></td>
</tr>
</tbody>
</table>

where:

- \( DAFIE_t \) means the Day ahead demand forecasting incentivised average forecast error as derived in accordance with the following formula:

\[
DAFIE_t = \sum_d \left( |DADF_d - AD_d| \cdot \frac{AD_d}{\sum_d AD_d} \right)
\]

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 – 10 December 2019
where:

\[ \sum_{d} x \] means the sum of x for all Days d in the Formula Year t.

\[ \text{DADF}_d \] means the Day ahead forecast NTS throughput value (mcm) for all Days in Formula Year t published by the Licensee (in accordance with the network code) on its website not later than 14:00 hours at Day ahead (d-1) in respect of each Day of Formula Year t. Where the day ahead 14:00 forecast NTS throughput value is not published by 14:00 hours at Day ahead (d-1), the next forecast published on the Licensee’s website for the Day concerned shall be used.

\[ \text{AD}_d \] means Actual NTS Throughput (mcm) on a given Day d, calculated five Days following the Day (d+5), on each Day of Formula Year t.

\[ \text{DFA}_t \] means the Day ahead demand forecasting adjustment in respect of Formula Year t as derived in accordance with the following formula:

\[ \text{DFA}_t = \text{Min} \left[ \text{DFSA}_t, 1 \right] \]

where:

\[ \text{DFSA}_t \] means the demand forecasting short-cycle storage adjustment in respect of Formula Year t as derived in accordance with the following formula:

\[ \text{DFSA}_t = 0.038 \times \left( \text{AIC}_t - \text{AIC}_{t-1} \right) + (\text{DFSA}_{t-1} \times \text{DFCI}_t) \]

and for the Formula Year t commencing on 1 April 2012 shall take the value zero.

where:

\[ \text{AIC}_t \] means the average annual capability to have gas injected (expressed in mcm/d) at Short-Cycle Storage Facilities connected to the NTS in respect of Formula Year t. In respect of the Formula Year t commencing on 1 April 2012 this shall take the value 30.3 and for all subsequent Formula Years will be derived in accordance with the following formula:

\[ \text{AIC}_t = \frac{\sum_{d} \text{ASF}_{d,t} \times \text{DIY}_t}{\text{DIY}_t} \]

\[ \text{ASF}_{d,t} \] means the aggregate capability of any relevant Short-Cycle Storage Facilities connected to the NTS to have gas injected (expressed in mcm/d) on Day d of Formula Year t as specified in the storage capacity notices submitted by...
the relevant Storage Operator to the Licensee (and updated from time to time) pursuant to the relevant Storage Connection Agreements.

DFCI_t means the Demand Forecasting Adjustment Continuous Improvement Factor and in Formula Year t shall take the value 0.5.

DIY_t means the number of Days in Formula Year t.

Short-Cycle Storage Facility

means for the purposes of this condition a Storage Facility which regularly utilises its capability both to withdraw and inject gas into the facility on the same Day. The Licensee shall publish, and keep up to date, a list of sites that regularly utilise their capability both to withdraw and inject gas into the facility on the same Day on its website.

(b) Quality of Two to Five Days Ahead Demand Forecasting Incentive Revenue (QTFIR_t)

3D.36 For the purposes of paragraph 3D.33 of this condition, QTFIR_t (£m) allowed to the Licensee in respect of Formula Year t commencing on 1 April 2018 and each subsequent Formula Year t until 31 March 2021 is derived in accordance with Table 5 below:

Table 5

<table>
<thead>
<tr>
<th>For Formula Year t</th>
<th>TFIE_t</th>
<th>QTFIR_t</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 ≤ TFIE_t ≤ 15.07</td>
<td>10 - (0.729927 x TFIE_t)</td>
<td>-</td>
</tr>
<tr>
<td>15.07 &lt; TFIE_t</td>
<td>-1</td>
<td></td>
</tr>
</tbody>
</table>

where:

TFIE_t means the two to five Days ahead demand forecasting incentivised average forecast error as derived in accordance with the following formula:

$$TFIE_t = \frac{\sum_{i=2}^{5} FE_{d-i}}{4}$$

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 – 10 December 2019
where:

\[ \sum_{i=2}^{5} x_{d,i} \]

means the sum of \( x_{d,i} \) for all \( i \) from \( i = 2 \) to \( i = 5 \) where for \( i = 2 \) the value of \( x_{d,2} \) means the value for two Days ahead of the Day and for \( i = 5 \) the value of \( x_{d,5} \) means the value for five Days ahead of the Day.

\( FE_{d,i} \) means the average forecast error (mcm) as derived in accordance with the following formula:

\[
FE_{d,i} = \sum_{d} \left[ DF_{d,i} - AD_d \right] \frac{x \cdot AD_d}{\sum_{d} AD_d} \quad \text{for } i = 2, 3, 4 \text{ and } 5
\]

where:

\[ \sum_{d} x \]

means the sum of \( x \) for all Days \( d \) in the Formula Year \( t \).

\( DF_{d,i} \) means the demand forecast NTS throughput value (mcm) for all Days in Formula 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 Formula 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 F  Greenhouse Gas Emissions Incentive Revenue (GHGIR\textsubscript{t})

3D.37 For the purposes of the Principal Formula, GHGIR\textsubscript{t} (£m) allowed to the Licensee in respect of Formula Year \textit{t} commencing on 1 April 2018 and each subsequent Formula Year \textit{t} until 31 March 2021 shall depend on the value of VIPM\textsubscript{t} and is derived in accordance with Table 6 below:

\textbf{Table 6}

<table>
<thead>
<tr>
<th>VIPM\textsubscript{t}</th>
<th>GHGIR\textsubscript{t}</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIPM\textsubscript{t} ≤ VIT\textsubscript{t}</td>
<td>0</td>
</tr>
<tr>
<td>VIPM\textsubscript{t} &gt; VIT\textsubscript{t}</td>
<td>([((VIT\textsubscript{t} – VIPM\textsubscript{t}) \times VIRP\textsubscript{t})/1,000,000]</td>
</tr>
</tbody>
</table>

where:

VIPM\textsubscript{t} means the venting incentive performance measure (in tonnes of natural gas) in respect of Formula Year \textit{t} which shall be the aggregate amount of natural gas released to the atmosphere by Venting from all Relevant Compressors.

VIT\textsubscript{t} means the venting incentive target (in tonnes of natural gas) in respect of Formula Year \textit{t} and shall take the value as set out in Table 7 below:

\textbf{Table 7}

<table>
<thead>
<tr>
<th>Formula Year</th>
<th>VIT\textsubscript{t}</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018/19</td>
<td>2,897</td>
</tr>
<tr>
<td>2019/20</td>
<td>2,897</td>
</tr>
<tr>
<td>2020/21</td>
<td>2,897</td>
</tr>
</tbody>
</table>

VIRP\textsubscript{t} means the venting incentive reference price (in £/tonne of Natural Gas Vented) in respect of Formula Year \textit{t} as derived in accordance with the following formula:

\[\text{VIRP}_t = \text{NTCP}_t \times \text{VF}_t\]

where:

NTCP\textsubscript{t} means the Non Traded Carbon Price (in £/tCO2e) in respect of Formula Year \textit{t} as derived in accordance with the following formula:

\[\text{NTCP}_t = \frac{\sum_{m=1}^{12} \left[ \text{NTMCP}_{m,t,y} \times \text{IF}_{m,t,y} \right]}{12}\]

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 – 10 December 2019
where:

\[ \sum_{m=1}^{12} x_{m,t} \] means the sum of \( x_{m,t} \) for months \( m=1 \) to \( m=12 \) where \( m=1 \) is the first month of Formula Year \( t \) and \( m=12 \) is the last month of Formula Year \( t \).

\( \text{NTMCP}_{m,t,y} \) means the latest Non Traded Central Carbon Price (£/tCO2e) for month \( m \) in Formula Year \( t \) as published in advance of month \( m \) by the Department of Energy and Climate Change (or any other government department from time to time) in year \( y \) prices.

\( \text{IF}_{m,t,y} \) means the inflation factor from year \( y \) to month \( m \) in Formula Year \( t \) as derived with the following formula:

\[
\text{IF}_{m,t,y} = \frac{\text{AI}_t}{\text{AI}_y}
\]

where:

\( \text{AI}_t \) means the annual inflation index for Formula Year \( t \) and is equal to the arithmetic average of the retail prices index numbers published or determined with respect to each of the six months from July to December (both inclusive) in Formula Year \( t-1 \).

\( \text{AI}_y \) means the annual inflation index for year \( y \) and is equal to the arithmetic average of the retail prices index numbers published or determined with respect to each of the six months from July to December (both inclusive) in year \( y-1 \).

\( \text{VF}_t \) means the venting equivalent factor that represents the number of tonnes of CO\(_2\) equivalent of each tonne of natural gas Vented in respect of Formula Year \( t \) shall take the value 21.

**Greenhouse Gas Emissions Project Costs (GHGC\(_t\))**

3D.38 For the purposes of the Principal Formula, GHGC\(_t\) shall be of a positive or zero value as directed by the Authority for the purposes of paragraph 8D.3 of Special Condition 8D (Requirement to undertake a Scheme of Work to facilitate the establishment of a long term external gas system operator incentive to reduce targeted greenhouse gases). In the event that the Licensee incurs costs in fulfilling its obligations pursuant to Special Condition 8D that it considers should be recovered via GHGC\(_t\), the Licensee shall by 31 July in the Formula Year \( t \) following the Formula Year in which those costs are incurred provide a statement to the Authority detailing the costs incurred in Formula Year \( t-1 \) and justification that those costs were efficiently recovered.
incurred. Upon receipt of the statement, the Authority will determine the extent to which the Licensee’s costs were efficiently incurred and, if appropriate, shall issue a direction specifying the value of GHGC_t. The value of GHGC_t in Formula Year t shall be zero or as directed by the Authority.

3D.39 For the purpose of Part F of this condition:

**Relevant 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 part of that pipeline system.

**Venting**

means the release of natural gas from a Relevant Compressor as a result of:

(a) starting a compressor;

(b) purging a compressor;

(c) depressurising a compressor; or

(d) the leakage of gas through a seal around the shaft of a compressor.
PART G  The Maintenance Incentive Revenue (MIR_t)

3D.40 For the purposes of the Principal Formula, MIR_t (£m) allowed to the Licensee in respect of Formula Year t commencing on 1 April 2018, 1 April 2019 and 1 April 2020 is derived in accordance with the following formula:

$$MIR_t = MCIR_t + MDIR_t$$

In the above formula for MIR_t:

- **MCIR_t** means, the Maintenance Change Incentive Revenue (£m) allowed to the Licensee in respect of Formula Year t as derived in accordance with paragraph 3D.41 of this condition.
- **MDIR_t** means the Maintenance Days Incentive Revenue (£m) allowed to the Licensee in respect of Formula Year t as derived in accordance with paragraph 3D.42 of this condition.

(a) The Maintenance Change Incentive Revenue (MCIR_t)

3D.41 For the purposes of paragraph 3D.40 of this condition, MCIR_t (£m) is derived in accordance with the following formula:

if MCICD_t < MCITD_t, then:

$$MCIR_t = \min[MCIPM_t \times 0.05, MCICAP_t];$$

otherwise:

$$MCIR_t = \max[MCIPM_t \times 0.05, MCIFLOOR_t]$$

In the above formula for MCIR_t:

- **MCIPM_t** means the Maintenance Change Incentive Performance Measure in respect of Formula Year t as derived in accordance with the following formula:
  $$MCIPM_t = MCITD_t - MCICD_t;$$
  where:
  - **MCICD_t** means the total number of actual Maintenance Change Days in Formula Year t.
  - **MCITD_t** means the Maintenance Change Incentive Target (Days) in respect of Formula Year t as derived in accordance with the following formula:
    $$MCITD_t = 0.0725 \times MW_t$$
where:

\[ MW_t \] means the Maintenance Workload (Days) in respect of Formula Year \( t \) and shall be equal to the number of Maintenance Plan Days in Formula Year \( t \).

\[ MCICAP_t \] means the Maintenance Change Incentive cap, and in Formula Year \( t \) shall take the value of £0.5m.

\[ MCIFLOOR_t \] means the Maintenance Change Incentive floor, and in Formula Year \( t \) shall take the value of -£0.5m.

(b) The Maintenance Days Incentive Revenue (MDIR\(_t\))

3D.42 For the purpose of paragraph 3D.40 of this condition MDIR\(_t\) (£m) is derived in accordance with the following formula:

If \( MD_t \leq 4 \), then:

\[
MDIR_t = (MDPM_t - 6) \times 0.025 + 6 \times 0.015
\]

If \( 5 \leq MD_t \leq 10 \), then:

\[
MDIR_t = MDPM_t \times 0.015
\]

Otherwise:

\[
MDIR_t = \text{Max}[MDPM_t \times 0.02, MDIFLOOR_t]
\]

3D.43 In the above formula for MDIR\(_t\):

\[ MDPM_t \] means the Maintenance Days Performance Measure in respect of Formula Year \( t \) as derived in accordance with the following formula:

\[
MDPM_t = MDT_t - MD_t
\]

where:

\[ MD_t \] means 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 Formula Year \( t \). Where a Maintenance Plan Day is used for activities other than Valve Operations, it shall not be included within \( MD_t \).

\[ MDT_t \] means the target number of Maintenance Plan Days in respect of Valve Operations, other than Advice Notice Days, in the Formula Year \( t \) and shall take the value of 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 but not limited to The Pipeline Safety Regulations 1996 (SI 1996 No 825)).

MDIFLOOR, means the Maintenance Days Incentive floor, and in Formula Year t shall take the value of -£0.5m.

3D.44 For the purpose of Part G of this condition:

Advice Notice Day shall be any Maintenance Plan Day in relation to which the Licensee has formally notified the customer of a maintenance activity to be carried out in alignment with that customer’s maintenance programme as agreed following bilateral discussions between the customer and the Licensee.

Maintenance Change Day shall be 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 term 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 Plan** shall be 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 Formula Year \(t\) in respect of Maintenance Plan Days.

**Maintenance Plan Day** shall be 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 Formula 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 where this party is a 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 Formula 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; NTS Supply Point; NTS Connected System Exit Point; Maintenance Day** shall have the meanings given to those terms 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.

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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 – 10 December 2019
PART H Interpretation

3D.45 For the purposes of this condition:

- **Actual NTS Throughput**
  means the total offtake of gas from the NTS on each day (measured in mcm), including gas offtakes by DN Operators, Storage Facilities, interconnectors and Very Large Daily Metered Consumers (VLDMC) connected to the NTS, plus the physical elements of NTS Shrinkage.

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

- **Min [x,y]**
  is the value which is the lesser of x and y.

- **Max [x,y]**
  is the value which is the greater of x and y.

- **mcm**
  means millions of cubic meters of gas.

- **Relevant Quarter Year and q**
  means each quarter in Formula Year t, 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 Compressor Site s**
  means a relevant compressor site being a location at which one or more Electric Compressors are installed.

- **week and w**
  means each week in the Formula Year t, where a week is a continuous period of seven days commencing from Monday to Sunday inclusive.

- **NTS shrinkage, Storage Facility, Day and VLDMC**
  shall have the meaning given to those terms in the network code. Where storage facilities are mentioned these are defined as a multiple storage facility.
PART I Greenhouse Gas Emissions Investigations Mechanism (GHGIMt)

3D.46 For the purposes of the Principal Formula, GHGIMt shall be zero, except in respect of Formula Year t commencing on 1 April 2018, when it shall be zero or as otherwise directed by the Authority for the purposes of paragraph 8J.7 of Special Condition 8J (Requirement to undertake greenhouse gas investigation activities).

3D.47 The Licensee shall by 31 December 2017 provide a statement to the Authority setting out:
   (a) how it has fulfilled the obligations pursuant to Special Conditions 8J; and
   (b) how the Greenhouse Gas Investigation activities will ensure long term value for money for consumers.

3D.48 Upon receipt of the statement the Authority will determine the value of GHGIMt by assessing the extent to which the Greenhouse Gas Investigation Activities will ensure long term value for money for consumers. The Authority may request further information from the Licensee between the submission of the statement and the final determination of the GHGIMt value. If appropriate, the Authority shall issue a direction specifying the value of GHGIMt by 31 March 2018 up to a maximum of £0.5m.

3D.49 For the purposes of this condition:

| Greenhouse Gas Investigation Activities | has the meaning given to the term in Special Condition 8J. |
Special Condition 3E: Uncertain Event affecting Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) and Special Condition 3D (NTS System Operator external incentives, costs and revenues)

Introduction

3E.1 The purpose of this condition is to set out the circumstances in which the Authority will review the provisions of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) and Special Condition 3D (NTS System Operator external incentives, costs and revenues).

Part A: Definition of Uncertain Events

3E.2 An Uncertain Event, as a result of which the Authority may review the provisions of Special Condition 3D (NTS System Operator external incentives, costs and revenues), may arise from any one or more of the following:

(a) any change in applicable legislation or regulations which affects or may be expected to affect the functions of the Licensee in connection with the NTS System Operator external incentives, costs and revenues as set out in Special Condition 3D (NTS System Operator external incentives, costs and revenues);

(b) an event or series of events which leads the Authority to believe that one or more of the incentives as set out in Special Condition 3D (NTS System Operator external incentives, costs and revenues) may no longer be appropriate, with the result that the Licensee’s allowed revenue in respect of those incentives is significantly affected such as:

   i. circumstances in which the relevant allowed revenue in respect of any of those incentives is equal to or there is an expectation that it will be equal to the relevant Cap or relevant Floor for that incentive for at least two consecutive Formula Years; or

   ii. circumstances which have resulted in the relevant allowed revenue in respect of those incentives increasing or reducing by £5m or greater when compared to an assessment of the relevant allowed revenue if that event or series of events had not occurred or there is an expectation that the relevant allowed revenue will be increased or reduced by £5 m or greater by the event or series of events in question;

(c) an event or circumstance constituting force majeure under the network code;

(d) an event or circumstance resulting in the declaration of a network gas supply emergency (having the meaning given to such term in the network code); or

(e) in relation to the Residual Gas Balancing Incentive set out in Part D of Special Condition 3D (NTS System Operator external incentives, costs and revenues) where:

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
i. there is material evidence that there is an increase in within-day volatility of gas demand has resulted from changes in CCGT operation as a consequence of increased levels of wind generation; and
ii. the increased levels of within-day volatility of gas demand have had a material impact on the Licensee’s performance as calculated by the LPM or PPM.

3E.3 An Uncertain Event, as a result of which the Authority may review the provisions of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management), may arise where:

(a) the relevant allowed revenue in respect of this incentive is equal to or there is an expectation that it will be equal to the relevant Cap or relevant Floor for that incentive for at least four consecutive Formula Years; or
(b) there is material evidence that the unified incentive is acting in a detrimental way compared to its predecessor separate incentive schemes applicable to the Licensee prior to 31 March 2013.

Part B: Process of determining an Uncertain Event

3E.4 The Licensee or any interested party may notify the Authority of an event or circumstance or series of events or circumstances which, in their opinion, constitutes or may be likely to constitute an Uncertain Event.

3E.5 Where the Authority has received a notification under paragraph 3E.4, it shall, within three months from the date of the receipt of that notification, determine whether an Uncertain Event has occurred or is likely to occur and shall give reasons for its decision.

3E.6 Where the Authority determines in accordance with paragraph 3E.5 that an event constitutes an Uncertain Event in respect of one or more relevant incentives set out in Special Condition 3D (NTS System Operator external incentives, costs and revenues) or Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management), the Authority may modify the relevant incentive(s) pursuant to the licence modification procedure in Section 23 of the Act in order to ensure that the relevant Incentives affected by the Uncertain Event have an appropriate incentive effect on the Licensee. In relation to the Residual Gas Balancing Incentive set out in Part D of Special Condition 3D (NTS System Operator external incentives, costs and revenues) only, any licence condition modified in accordance with Section 23 of the Act as a result of the operation of this condition for an Uncertain Event set out under paragraph 3E.2(e) shall not take effect prior to 1 April 2017.

Part C: Interpretation

3E.7 For the purposes of this condition, the relevant allowed revenue, relevant Cap and relevant Floor are set out in Table 1 below:
Table 1

<table>
<thead>
<tr>
<th>Relevant External Incentive each as set out in the relevant Parts of Special Condition 3D (NTS System Operator external incentives, costs and revenues) and Constraint Management Incentive as set out in the relevant Parts of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management)</th>
<th>Relevant allowed revenue</th>
<th>Relevant Cap</th>
<th>Relevant Floor</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTS Shrinkage Incentive as set out in Part B</td>
<td>SIR(_t)</td>
<td>£7 m</td>
<td>-£7 m</td>
</tr>
<tr>
<td>Operating Margins Incentive as set out in Part C</td>
<td>OMIR(_t)</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Residual Gas Balancing Incentive as set out in Part D</td>
<td>RBIR(_t)</td>
<td>£2 m</td>
<td>-£3.5 m</td>
</tr>
<tr>
<td>Quality of Day Ahead Demand Forecasting Incentive as set out in Part E</td>
<td>QDAIR(_t)</td>
<td>£10 m</td>
<td>-£1.5 m</td>
</tr>
<tr>
<td>Quality of Two to Five Days Ahead Demand Forecasting Incentive as set out in Part E</td>
<td>QTFIR(_t)</td>
<td>£10 m</td>
<td>-£1 m</td>
</tr>
<tr>
<td>Greenhouse Gas Emissions Incentive as set out in Part F</td>
<td>GHGIR(_t)</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Maintenance Change Incentive as set out in Part G</td>
<td>MCIR(_t)</td>
<td>£0.5 m</td>
<td>-£0.5 m</td>
</tr>
<tr>
<td>Maintenance Day Incentive as set out in Part G</td>
<td>MDIR(_t)</td>
<td>£1 m</td>
<td>-£1 m</td>
</tr>
<tr>
<td>Constraint Management Incentive as set out in Special Condition 3B (Entry and Exit Capacity Constraint Management)</td>
<td>CMIR(_t)</td>
<td>£20 m (in 2009/10 values)</td>
<td>-£60 m (in 2009/10 values)</td>
</tr>
</tbody>
</table>

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Chapter 4: Price Control Financial Instruments
Special Condition 4A. Governance of GT1 Price Control Financial Instruments

Introduction

4A.1 The purpose of this condition is to establish a change control framework for each of the following GT1 Price Control Financial Instruments, namely:

(a) the GT1 Price Control Financial Handbook, which contains the GT1 Price Control Financial Methodologies; and
(b) the GT1 Price Control Financial Model.

4A.2 Each of the GT1 Price Control Financial Instruments forms part of this condition and (subject to paragraph 4A.3) may only be modified by the Authority in accordance with the provisions of Parts A and B below.

4A.3 Parts A and B are without prejudice to the powers of the Authority to modify any part of this condition (including any GT1 Price Control Financial Instrument) under section 23 of the Act.

Part A: Assessment of the likely impact of an intended modification

4A.4 Before initiating any modification of a GT1 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 person engaged in the shipping, transportation, or supply of gas conveyed through pipes or in the generation, transmission, distribution, or supply of electricity; and
(c) energy consumers (whether considered individually, or as a whole, or by reference to any class or category of them) in Great Britain.

4A.5 In making the assessment required by paragraph 4A.4, the Authority will:

(a) have particular regard to any impact which an intended modification would be likely to have on any component of the Licensee’s allowed revenues or on any value, rate, time period, or calculation used in the determination of those allowed revenues; and
(b) in respect of modifications to the GT1 Price Control Financial Model, have regard to any views expressed by the GT1 Price Control Financial Model Working Group.

4A.6 For the purposes of paragraph 4A.4, it is to be presumed (subject to paragraph 4A.7) that a modification which serves to correct a manifest error contained in a GT1 Price Control Financial Instrument will not have a significant impact on any of the persons mentioned in that paragraph.
4A.7 The presumption established by paragraph 4A.6 is without prejudice to the Licensee’s right under paragraph 4A.13 to make representations to the Authority that a particular modification would be likely to have a significant impact of the type referred to in paragraph 4A.4 or 4A.5(a).

Part B: Circumstances in which a modification may be made

4A.8 If, having carried out the required assessment under Part A above, the Authority considers that an intended modification of a GT1 Price Control Financial Instrument would not be likely to have a significant impact on any of the persons mentioned in paragraph 4A.4, it may modify that instrument in accordance with paragraphs 4A.9 to 4A.13 below.

4A.9 Before making any modification of a GT1 Price Control Financial Instrument under this Part B, the Authority will give the Licensee a notice that:

(a) sets out the proposed modification and the date from which the Authority proposes that it should have effect;
(b) explains why in the Authority’s opinion the modification is necessary;
(c) sets out the Authority’s view that the modification would not be likely to have a significant impact on any of the persons mentioned in paragraph 4A.4; and
(d) specifies a period of at least 14 days from the date of the notice within which any representations with respect to the proposal may be made.

4A.10 The Authority will publish any notice issued under paragraph 4A.9 on its website.

4A.11 The Authority will consider any representations that are duly made and not withdrawn before deciding whether to proceed with the modification under this Part B.

4A.12 Having complied with paragraphs 4A.9 to 4A.11, the Authority may make the modification in a direction issued for the purposes of this Part B that sets out the modification and specifies the date from which it is to have effect (or the mechanism by which that date is to be determined).

4A.13 If the Licensee demonstrates in representations made under paragraph 4A.9(d) that it reasonably considers that the proposed modification would be likely to have a significant impact of the type referred to in paragraph 4A.4 or 4A.5(a), the Authority may not make the modification under this Part B.

Part C: Availability and updating of GT1 Price Control Financial Instruments

4A.14 This Part C has effect in relation to the publication and availability of the GT1 Price Control Financial Handbook, including the constituent GT1 Price Control Financial Methodologies and the GT1 Price Control Financial Model.

4A.15 The Authority will ensure that any modifications of the GT1 Price Control Financial Handbook, including the constituent GT1 Price Control Financial Methodologies, whether under Part B of this condition or otherwise, are promptly incorporated into a consolidated version of the GT1 Price Control Financial Handbook maintained on the Authority’s Website.
4A.16 The Authority will ensure that any modifications of the GT1 Price Control Financial Model, whether under Part B of this condition or otherwise, are promptly incorporated into a consolidated version of the GT1 Price Control Financial Model maintained on the Authority’s Website.

4A.17 Without limiting the general effect of paragraph 4A.16, the Authority will, by not later than 30 November in each Formula Year t-1:

(a) publish on its website, in Microsoft Excel ® format, the version of the GT1 Price Control Financial Model that will be used to determine the value of the terms MOD and SOMOD with respect to Formula Year t for the purposes of Special Conditions 2A and 3A;

(b) ensure that the electronic name of the file is “GT1 PCFM ” followed by “November 20XX” where 20XX represents the calendar year containing the month of November in Formula Year t-1;

(c) ensure that the words “GT1 Price Control Financial Model for the Annual Iteration Process that will take place by 30 November” followed by the Formula Year t-1 expressed in the format 20XX/XX are included as text within the file itself; and

(d) publish an up-to-date schedule of any modifications that have been made to the GT1 Price Control Financial Model, whether under Part B of this condition or otherwise, up to and including the date of such publication.

4A.18 The first Formula Year in which the Authority will publish a version of the GT1 Price Control Financial Model on its website for the purposes of paragraph 4A.17 will be Formula Year 2013/14 and the last Formula Year will be 2019/20.

Part D: Interpretation

4A.19 This condition should be read and construed in conjunction with Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model).

4A.20 For the purposes of this condition, GT1 Price Control Financial Model Working Group means the working group identified in and whose terms of reference are set out in Chapter 1 of the GT1 Price Control Financial Handbook.
Special Condition 4B. Annual Iteration Process for the GT1 Price Control Financial Model

Introduction

4B.1 The purpose of this condition is to set out the steps of the Annual Iteration Process, that the Authority will, subject to paragraph 4B.2, carry out in each Formula Year t-1, in relation to the GT1 Price Control Financial Model, in order to determine the values of the terms MOD and SOMOD for Formula Year t, for the purposes of the formulae that are specified in Special Conditions 2A (Restriction of NTS Transportation Owner Revenue) and 3A (Restriction of NTS System Operation Revenue).

4B.2 The last Formula Year in which there will be an Annual Iteration Process for the GT1 Price Control Financial Model is Formula Year 2019/20 for the purpose of determining the value of the term MOD for Formula Year 2020/21.

4B.3 The Annual Iteration Process will consist of, and will be carried out by the Authority in accordance with, the steps set out in Part A of this condition, in a manner that is in accordance with the procedures set out in chapter 1 of the GT1 Price Control Financial Handbook.

4B.4 The outcome of the Annual Iteration Process with respect to the value of the terms MOD, and SOMOD, will be notified to the Licensee in accordance with Part B of this condition.

Part A: Steps comprising the Annual Iteration Process

4B.5 The Authority will save a record copy of the GT1 Price Control Financial Model in the form, and with the content it has, before any of the steps of the Annual Iteration Process set out below are commenced.

4B.6 Step 1: The Authority will make revisions to TO and SO PCFM Variable Values where and to the extent required in relation to adjustments under:

(a) Special Condition 5A (Legacy price control adjustments – NTS Transportation Owner) and/or Special Condition 6A (Legacy price control adjustments – NTS System Operator);

(b) Special Condition 5B (Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – NTS Transportation Owner) and/or Special Condition 6B (Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – NTS System Operator);

(c) Special Condition 5C (Specified financial adjustments – NTS Transportation Owner) and/or Special Condition 6C (Specified financial adjustments – NTS System Operator);

(d) Special Condition 5D (The Innovation Roll-out Mechanism);

(e) Special Condition 5E (Arrangements for the recovery of uncertain costs) and/or Special Condition 6D (Arrangements for the recovery of SO uncertain costs);

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
(f) Special Condition 5F (Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply); and

(g) Special Condition 5G (Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply).

4B.7 Step 2: The Authority will cause the GT1 Price Control Financial Model to perform its calculation functions once the revised PCFM Variable Values referred to under Step 1 above have been entered into the PCFM Variable Values Tables for the Licensee, where and to the extent required.

4B.8 Step 3: The Authority will identify and record the values of the terms MOD\(_t\) and SOMOD\(_t\), calculated as a result of Step 2 and shown as outputs of the GT1 Price Control Financial Model. These values will include the effects of any revised PCFM Variable Values which, for the avoidance of doubt, will not have any retrospective effect on any previously directed value of the term MOD or SOMOD.

4B.9 Step 4: The Authority will give a direction to the Licensee, in accordance with Part B of this condition, setting out the values for the terms MOD\(_t\) and SOMOD\(_t\), which are to be used in the formulae set out in out in Special Conditions 2A and 3A for the purposes of ascertaining the values of the terms BR\(_t\) and SOBR\(_t\) respectively.

**Part B: Direction of the values of MOD\(_t\) and SOMOD\(_t\)**

4B.10 Subject to paragraph 4B.2, the values of the terms MOD and SOMOD for Formula Year \(t\) will be directed by the Authority no later than 30 November in each Formula Year \(t - 1\).

4B.11 If, subject to paragraph 4B.2, for any reason, the Authority does not direct a value for one or both of the terms MOD\(_t\) or SOMOD\(_t\) by 30 November in any Formula Year \(t - 1\), then the Annual Iteration Process set out in Part A of this condition will not have been completed and the provisions set out in paragraphs 4B.12 and 4B.13 will apply.

4B.12 The Authority will complete the Annual Iteration Process set out in Part A of this condition as soon as reasonably practicable after 30 November in the Formula Year \(t - 1\) concerned by directing values for MOD\(_t\) and SOMOD\(_t\).

4B.13 In the intervening period (between the 30 November in the Formula Year \(t - 1\) concerned and the making of a direction under paragraph 4B.12), the value of MOD\(_t\) and/or SOMOD\(_t\) will be held to be equal to values ascertained by:

(a) taking a copy of the GT1 Price Control Financial Model in its state following the last completed Annual Iteration Process which, for the avoidance of doubt, will exclude the effect of any functional modifications under Special Condition 4A (Governance of GT1 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 to select:
   i. the name of the licensee; and
   ii. the Formula year equating to Formula Year \(t\); and

(c) recording the values of the terms MOD\(_t\) and SOMOD\(_t\) for the Licensee that are shown as output values.
4B.14 For the avoidance of doubt, neither:

(a) an Annual Iteration Process for the GT1 Price Control Financial Model carried out in accordance with this condition, including in particular the steps set out in Part A of this condition; nor

(b) a change to the Formula Year included in the name of and text within the GT1 Price Control Financial Model (as referred to at paragraphs 4A.17 of Special Condition 4A (Governance of GT1 Price Control Financial Instruments),

will constitute a modification of the GT1 Price Control Financial Model within the meaning of Part B of Special Condition 4A.

4B.15 This condition should be read and construed in conjunction with Special Condition 4A.
Chapter 5: Annual Iteration Process – Adjustments to the NTS Transportation Owner Revenue Restriction and the creation of Zero Baseline Capacity Entry and Exit Points
Special Condition 5A. Legacy price control adjustments – NTS Transportation Owner

Introduction

5A.1 The purpose of this condition is to determine any appropriate revisions to the PCFM Variable Values for Formula Year 2013/14 relating to the items specified in Part A of this condition for use in the Annual Iteration Process for the GT1 Price Control Financial Model as described in Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model).

5A.2 The application of the mechanisms set out in this condition means that as a consequence of the Annual Iteration Process, the value of the term MOD as calculated for Formula Year t for the purposes of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) will result in an appropriate adjustment of the Licensee’s Base NTS Transportation Owner Revenue in a manner that appropriately reflects the revenue allowance and, as applicable, Regulatory Asset Value (RAV) balance adjustments attributable to the Licensee in respect of:
   (a) activities carried out by the Licensee;
   (b) incentivised performance by the Licensee; and/or
   (c) costs or expenditure incurred by the Licensee,

   in Formula Years prior to Formula Year 2013/14 (the ‘legacy period’), in relation to one or more of the schemes and mechanisms referred to in Parts A and B of this condition.

5A.3 This condition should be read and construed in conjunction with Special Conditions 4A (Governance of GT1 Price Control Financial Instruments) and 4B.

Part A: Determination and direction of revised PCFM Variable Values relating to legacy price control adjustments for Formula Year 2013/14

5A.4 This Part provides for the determination and direction of revised PCFM Variable Values for:
   (a) legacy price control revenue allowance adjustments (LAR values); and
   (b) legacy price control adjustments to RAV balance additions (LRAV values),

   for Formula Year 2013/14.

5A.5 The LAR and LRAV values for each Formula Year are zero as at 1 April 2013.

5A.6 There are no provisions to revise LAR and LRAV values for Formula Years other than Formula Year 2013/14 because, under the Annual Iteration Process, all of the calculations necessary to achieve the result referred to in paragraph 5A.2 are made using the LAR and LRAV values for Formula Year 2013/14.

5A.7 Subject to paragraph 5A.8 of this condition, the Authority will, by 30 November in each Formula Year t-1:
(a) determine whether any LAR or LRAV values for Formula Year 2013/14 should be revised in relation to one or more of the schemes and mechanisms referred to in Parts A and B of this condition; and

(b) issue a direction in accordance with the provisions of Part C of this condition specifying any revised values that have been determined.

5A.8 The first Formula Year in which the Authority will make a determination pursuant to paragraph 5A.7 is Formula Year 2013/14 for the Annual Iteration Process that will take place by 30 November 2013.

5A.9 Revisions to the LAR value for Formula Year 2013/14 will be determined in accordance with the following formula:

\[
LAR = TAR + CAR + SAR
\]

where:

\begin{align*}
TAR & \text{ means the revenue allowance adjustment in respect of the Licensee’s gearing levels and corporate debt interest costs in the Legacy Period, determined in accordance with Part B of this condition.} \\
CAR & \text{ means the revenue allowance adjustment in respect of the Capex Rolling Incentive in the Legacy Period, determined in accordance with Part B of this condition.} \\
SAR & \text{ means the revenue allowance adjustment in respect of adjustments for Logged Up Costs in the Legacy Period, determined in accordance with Part B of this condition.}
\end{align*}

5A.10 Revisions to the LRAV value for Formula Year 2013/14 will be determined in accordance with the following formula:

\[
LRAV = CRAV + SRAV
\]

where:

\begin{align*}
CRAV & \text{ means the adjustment to the Licensee’s RAV balance additions in respect of the Capex Rolling Incentive in the legacy Period, determined in accordance with Part B of this condition.} \\
SRAV & \text{ means the adjustment to the Licensee’s RAV balance additions in respect of Logged Up Costs in the Legacy Period, determined in accordance with Part B of this condition.}
\end{align*}

5A.11 The effect of using revised LAR and LRAV values for Formula Year 2013/14 in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term MOD for
Formula Year t and, for the avoidance of doubt will not, in respect of any particular Annual Iteration Process, have any retrospective effect on a previously directed value of the term MOD.

**Part B: Determination of component term values for the formulae set out in Part A**

5A.12 This Part provides for the determination of component term values for the formulae set out in Part A, used to determine revisions to LAR and LRAV values for Formula Year 2013/14.

5A.13 Subject to paragraph 5A.14, the Authority will, by 30 November in each Formula Year t-1, determine the value of the following component terms:

(a) TAR, in accordance with the methodology set out in part 1 of chapter 11 of the GT1 Price Control Financial Handbook;

(b) CAR and CRAV, in accordance with the methodology set out in part 2 of chapter 11 of the GT1 Price Control Financial Handbook; and

(c) SAR and SRAV, in accordance with the methodology set out in part 3 of chapter 11 of the GT1 Price Control Financial Handbook.

5A.14 The first Formula Year during which the Authority will make determinations pursuant to paragraph 5A.13 is Formula Year 2013/14 for the purpose of determining any revisions to LAR and LRAV values for the Annual Iteration Process that will take place by 30 November 2013.

**Part C: Procedure to be followed for direction of revised PCFM Variable Values relating to legacy price control adjustments by the Authority**

5A.15 Subject to paragraph 5A.8, revised LAR values and LRAV values for Formula Year 2013/14, determined by the Authority in accordance with the provisions of this condition will be directed by the Authority by 30 November in each Formula Year t-1.

5A.16 Any direction issued under paragraph 5A.15 will include a statement of the component term values determined under Part B.

5A.17 Before issuing any directions under paragraph 5A.15, the Authority will give notice to the Licensee of all of the values that it proposes to direct.

5A.18 The notice referred to in paragraph 5A.17 will:

(a) state that any revised LAR and LRAV values for Formula Year 2013/14 have been determined in accordance with Parts A and B of this condition; and

(b) specify the period (which will not be less than 14 days from the date of the notice) within which the Licensee may make any representations concerning the determination of any revised LAR or LRAV values.

5A.19 The Authority will have due regard to any representations duly received under paragraph 5A.18, and give reasons for its decisions in relation to them.

5A.20 If, subject to paragraph 5A.8, for any reason in any Formula Year t-1, the Authority does not make a direction in relation to revised LAR and LRAV values by 30 November, the
Authority will direct the values concerned as soon as reasonably practicable, consistent with the purpose of paragraph 4B.12 of Special Condition 4B and, in any case, before directing a value for MOD under that paragraph.

Part D: Interpretation

5A.21 Defined terms used in this condition and in Special Condition 1A (Definitions) are to be read and given effect subject to any further clarification that might be set out in the GT1 Price Control Handbook in relation to such terms.
Special Condition 5B. Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – NTS Transportation Owner

Introduction

5B.1 The purpose of this condition is to establish the basis for determining PCFM Variable Values for the Licensee’s actual TO Totex expenditure, in relation to the Totex Incentive Mechanism, that are to be used for the purposes of the Annual Iteration Process for the GT1 Price Control Financial Model in accordance with Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model).

5B.2 The application of the mechanisms set out in this condition ensures that, as a consequence of the Annual Iteration Process:

(a) the value of the term MOD as calculated for Formula Year t for the purposes of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) will result in an adjustment of the Licensee’s Base NTS Transportation Owner Revenue; and

(b) appropriate adjustments will be made to the Licensee’s Regulatory Asset Value (RAV) balance,

that reflect the Licensee’s performance under the Totex Incentive Mechanism, in accordance with the methodology set out in chapter 6 of the GT1 Price Control Financial Handbook.

5B.3 This condition should be read and construed in conjunction with Special Conditions 4A (Governance of Price Control Financial Instruments) and 4B.

Part A: TO Totex Incentive Mechanism applicable to the Licensee

5B.4 The TO Totex Incentive Mechanism provides for the Licensee to bear an appropriate share of any over spend, or retain an appropriate share of any under spend, represented by a difference, in respect of a given Formula Year, between:

(a) the Licensee’s allowed TO Totex expenditure; and

(b) the Licensee’s actual TO Totex expenditure.

5B.5 The ‘appropriate share’ referred to in paragraph 5B.4 is represented by the Totex Incentive Strength Rate, as set down against the Licensee’s name in the table at Appendix 1 to this condition.

5B.6 TO Totex Incentive Mechanism adjustments are applied under the Annual Iteration Process for the GT1 Price Control Financial Model. The Baseline and Incremental Totex Capitalisation Rates set down against the Licensee’s name in the table at Appendix 1 to this condition are fixed values, contained in the PCFM, that are used in the calculation of TO Totex Incentive Mechanism adjustments.

5B.7 This condition provides for the determination and direction of revisions to the nine PCFM Variable Values that relate to the Licensee’s actual TO Totex expenditure. The
PCFM Variable Values which relate to the Licensee’s allowed TO Totex expenditure are specified in other Special Conditions of the licence, and are scheduled in the methodology set out in Chapter 6 of the GT1 Price Control Financial Handbook.

**Part B: Process for determining PCFM Variable Values for the TO Totex Incentive Mechanism**

5B.8 This Part provides for the determination and direction of revised PCFM Variable Values for:

- (a) actual load related capex expenditure (ALC values);
- (b) actual asset replacement capex expenditure (ARC values);
- (c) actual other capex expenditure (AOC values);
- (d) actual controllable opex expenditure (ACO values);
- (e) actual non-operational capex (ANC values);
- (f) actual load related capex expenditure (uncertain) (ALU values);
- (g) actual asset replacement capex expenditure (uncertain) (ARU values);
- (h) actual other capex expenditure (uncertain) (AOU values); and
- (i) actual controllable opex (uncertain) (ACU values).

5B.9 Subject to paragraph 5B.10 of this condition, the Authority will, by 30 November in each Formula Year t-1:

- (a) determine revised ALC, ARC, AOC, ACO, ANC, ALU, ARU, AOU and ACU values for Formula Year t-2; and
- (b) issue a direction in accordance with the provisions of Part C of this condition specifying the revised values that have been determined and the Formula Years to which they relate,

in each case in accordance with the methodology contained in chapter 6 of the GT1 Price Control Financial Handbook.

5B.10 The first Formula Year in which the Authority will make a determination pursuant to paragraph 5B.9 of this condition is Formula Year 2014/15.

5B.11 The Authority may also direct revisions to ALC, ARC, AOC, ACO, ANC, ALU, ARU, AOU and ACU values for Formula Years earlier than Formula Year t-2, where that is necessary to take into account any restatement of, or correction to, Price Control Review Information submitted by the Licensee, under any provision of the licence. Any directions under this paragraph will be made in accordance with the provisions of Part C of this condition.

5B.12 Where the Authority directs any revised ALC, ARC, AOC, ACO, ANC, ALU, ARU, AOU or ACU values for Formula Years earlier than Formula Year t-2, the effect of using those revised values in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term MOD for Formula Year t and, for the avoidance of doubt will not have any retrospective effect on a previously directed value of the term MOD.
Part C: Procedure to be followed for direction of revised NTS Transportation 
Owner PCFM Variable Values relating to the Licensee’s actual TO Totex 
expenditure by the Authority

5B.13 Subject to paragraph 5B.10 of this condition, revised ALC, ARC, AOC, ACO, ANC, 
ALU, ARU, AOU and ACU values determined by the Authority in accordance with the 
provisions of this condition will be directed by the Authority by 30 November in each 
Formula Year t-1.

5B.14 Before issuing any directions under paragraph 5B.13 the Authority will give notice to the 
Licensee of all of the revised values that it proposes to direct.

5B.15 The notice referred to in paragraph 5B.14 will:

(a) state that any revised ALC, ARC, AOC, ACO, ANC, ALU, ARU, AOU or 
ACU values have been determined in accordance with Part B of this condition; and

(b) specify the period (which will not be less than 14 days from the date of the 
notice) within which the Licensee may make any representations concerning 
the determination of any revised ALC, ARC, AOC, ACO, ANC, ALU, ARU, AOU 
or ACU values.

5B.16 The Authority will have due regard to any representations duly received under paragraph 
5B.15 of this condition, and give reasons for its decisions in relation to them.

5B.17 If, subject to paragraph 5B.10, for any reason in any Formula Year t-1, the Authority 
does not make a direction in relation to revised ALC, ARC, AOC, ACO, ANC, ALU, 
ARU, AOU and ACU values by 30 November, the Authority will direct the values 
concerned as soon as reasonably practicable thereafter, consistent with the purpose of 
paragraph 4B.12 of Special Condition 4B and in any case, before directing a value for 
MOD, under that paragraph.
**APPENDIX 1: Totex Incentive Strength and Totex Capitalisation Rates**

*(see Part A of this condition)*

<table>
<thead>
<tr>
<th>Licensee</th>
<th>Totex Incentive Strength Rate (%)</th>
<th>Baseline Totex Capitalisation Rate (%)</th>
<th>Incremental Totex Capitalisation Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Grid Gas plc</td>
<td>44.36</td>
<td>64.40</td>
<td>90.00</td>
</tr>
</tbody>
</table>
Special Condition 5C. Specified financial adjustments – NTS Transportation Owner

Introduction

5C.1 The purpose of this condition is to determine:

(a) any appropriate revisions to the PCFM Variable Values relating to the items specified in Parts A to C of this condition; and

(b) the Formula Years to which the revised values referred to in sub-paragraph (a) relate,


5C.2 The application of the mechanisms set out in this condition means that as a consequence of the Annual Iteration Process, the value of the term MOD as calculated for Formula Year \( t \) for the purpose of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) will result in an appropriate adjustment to the Licensee’s Base NTS Transportation Owner Revenue in a manner that appropriately reflects the Licensee’s:

(a) revenue allowances for Pension Scheme Established Deficits, Pension Scheme administration and the Pension Protection Fund levy;

(b) revenues allowances for tax liabilities; and

(c) allowed TO percentage cost of corporate debt,

determined under the methodologies set out in chapters 3, 4 and 5 of the GT1 Price Control Financial Handbook respectively.

5C.3 This condition should be read and construed in conjunction with Special Conditions 4A (Governance of GT1 Price Control Financial Instruments) and 4B.

Part A: TO revenue allowances for Pension Scheme Established Deficits, Pension Scheme Administration and the Pension Protection Fund levy

5C.4 This Part provides for the determination and direction of revised PCFM Variable Values for:

(a) Pension Scheme Established Deficit TO revenue allowances (EDE values); and

(b) Pension Scheme Administration and Pension Protection Fund levy TO revenue allowances (APFE values).

5C.5 Subject to paragraph 5C.6, the Authority will, by 30 November in each Formula Year \( t-1 \), determine whether any EDE values should be revised as a result of:

(a) a valuation of each pension scheme sponsored by the Licensee;
(b) a review of the valuations referred to in sub-paragraph (a) and of the reasonableness of the Licensee’s Pension Scheme Established Deficit funding levels; and

(c) a review of the level of payments actually made by the Licensee to its pension scheme,

in each case in accordance with the methodology contained in chapter 3 of the GT1 Price Control Financial Handbook.

5C.6 The first Formula Year in which the Authority will make a determination pursuant to paragraph 5C.5 is Formula Year 2014/15.

5C.7 Subject to paragraph 5C.8, the Authority will, by 30 November in each Formula Year t-1, determine whether any APFE values should be revised as a result of a review of the Licensee’s reported levels of:

(a) Pension Scheme Administration costs; and/or

(b) Pension Protection Fund levy costs,

in each case, in accordance with the methodology contained in chapter 3 of the GT1 Price Control Financial Handbook.

5C.8 The first Formula Year in which the Authority will make a determination pursuant to paragraph 5C.7 is Formula Year 2014/15.

5C.9 If the Authority determines under paragraph 5C.5 or 5C.7 that, in accordance with the methodologies contained in chapter 3 of the GT1 Price Control Financial Handbook, any EDE values or APFE values are to be revised, it will by 30 November in the same Formula Year t-1, issue a direction in accordance with the provisions of Part D of this condition specifying the revised EDE values and APFE values that have been determined and the Formula Years to which they relate.

5C.10 Where the Authority directs any revised EDE values or APFE values for Formula Years earlier than Formula Year t, the effect of using those revised values in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term MOD for Formula Year t and, for the avoidance of doubt will not have any retrospective effect on a previously directed value of the term MOD.

Part B: TO tax liability allowances

5C.11 This Part provides for the determination and direction of revised PCFM Variable Values for:

(a) TO tax liability revenue allowance adjustments in respect of tax trigger events (TTE values); and

(b) TO tax liability revenue allowance adjustments in respect of the Licensee’s gearing levels and corporate debt interest costs (TGIE values).

5C.12 The TTE values and TGIE values for each formula year are zero as at 1 April 2013.

5C.13 Subject to paragraph 5C.14, the Authority will, by 30 November in each Formula Year t-1 determine whether any TTE values should be revised as a result of one or more tax
trigger events in accordance with the methodology contained in chapter 4 of the GT1 Price Control Financial Handbook.

5C.14 The first Formula Year in which the Authority will make a determination of the type referred to in paragraph 5C.13 is Formula Year 2013/14.

5C.15 Subject to paragraph 5C.16, the Authority will, by 30 November in each Formula Year t-1 determine whether any TGIE values should be revised as a result of a review of:

(a) the Licensee’s actual level of gearing; and

(b) the level of debt interest charges actually incurred by the Licensee,

in each case in accordance with the methodology contained in chapter 4 of the GT1 Price Control Financial Handbook.

5C.16 The first Formula Year in which the Authority will make a determination pursuant to paragraph 5C.15 is Formula Year 2014/15.

5C.17 If the Authority determines under paragraph 5C.13 or 5C.15 that, in accordance with the methodologies contained in chapter 4 of the GT1 Price Control Financial Handbook, any TTE values or TGIE values are to be revised, it will by 30 November in the same Formula Year t-1 issue a direction in accordance with the provisions of Part D of this condition specifying the revised TTE values and TGIE values that have been determined and the formula years to which they relate.

5C.18 Where the Authority directs any revised TTE values or TGIE values for formula years earlier than Formula Year t, the effect of using those revised values in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term MOD for Formula Year t and, for the avoidance of doubt will not have any retrospective effect on a previously directed value of the term MOD.

Part C: Allowed TO percentage cost of corporate debt

5C.19 This Part provides for the determination and direction of revised PCFM Variable Values for the Licensee’s allowed TO percentage cost of corporate debt (CDE values).

5C.20 Subject to paragraph 5C.22, the Authority will by 30 November in each Formula Year t-1:

(a) determine a revised CDE value for Formula Year t and each subsequent Formula Year in accordance with the methodology contained in chapter 5 of the GT1 Price Control Financial Handbook; and

(b) issue a direction in accordance with the provisions of Part D of this condition specifying the revised CDE values that have been determined and the PCFM Years to which they relate.

5C.21 The Authority may also revise the CDE value for a Formula Year earlier than Formula Year t where necessary to take into account data updates referred to in the methodology contained in chapter 5 of the GT1 Price Control Financial Handbook.

5C.22 The first Formula Year in which the Authority will make a determination pursuant to paragraph 5C.20 is Formula Year 2013/14.
5C.23 Where the Authority directs any revised CDE values for Formula years earlier than Formula Year t, the effect of using those revised values in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term MOD for Formula Year t and, for the avoidance of doubt will not have any retrospective effect on a previously directed value of the term MOD.

Part D: Procedure to be followed for direction of revised PCFM Variable Values relating to specified TO financial adjustments by the Authority

5C.24 Subject to, and in accordance with, the provisions of Parts A and B of this condition, revised EDE, APFE, TTE, TGIE and CDE values determined by the Authority in accordance with the provisions of this condition will be directed by the Authority by 30 November in each Formula Year t-1.

5C.25 Before issuing any directions under paragraph 5C.24, the Authority will give notice to the Licensee of all of the revised values that it proposes to direct.

5C.26 The notice referred to in paragraph 5C.25 will:

(a) state that any revised EDE and APFE values have been determined in accordance with Part A of this condition;
(b) state that any revised TTE and TGIE values have been determined in accordance with Part B of this condition;
(c) state that any revised CDE values have been determined in accordance with Part C of this condition; and
(d) specify the period (which will not be less than 14 days from the date of the notice) within which the Licensee may make any representations concerning the determination of any revised EDE, APFE, TTE, TGIE or CDE values.

5C.27 The Authority will have due regard to any representations duly received under paragraph 5C.26, and give reasons for its decisions in relation to them.

5C.28 If, for any reason in any Formula Year t-1, the Authority does not make a direction in relation to revised EDE, APFE, TTE, TGIE and CDE values by 30 November, the Authority will direct the values concerned as soon as reasonably practicable thereafter consistent with the purpose of paragraphs 4B.12 of Special Condition 4B and in any case, before directing a value for MODt under that paragraph.

Part E: Interpretation

5C.29 Defined terms in this condition and in Special Condition 1A (Definitions) are to be read and given effect subject to any further clarification that might be set out in the GT1 Price Control Financial Handbook in relation to such terms.
Special Condition 5D. The Innovation Roll-out Mechanism

Introduction

5D.1 The purpose of this condition is to determine any appropriate revisions to PCFM Variable Values relating to innovation Roll-out allowed expenditure (‘IRM’ values) and the Formula Years to which those revisions relate, for use in the Annual Iteration Process for the GT1 Price Control Financial Model, as described in Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model).

5D.2 The IRM value for each Formula Year is zero as at 1 April 2013.

5D.3 The IRM value relating to a particular Formula Year represents the total amount of the Licensee’s innovation allowed Roll-out expenditure (in 2009/10 prices) for that Formula Year.

5D.4 The application of the mechanisms in this condition provides for:
   (a) the Licensee to propose adjustments to its IRM values during either of the two windows specified in Part C of this condition;
   (b) determinations by the Authority in relation to proposals by the Licensee under sub-paragraph (a); and
   (c) the direction, where applicable of revised IRM values.

5D.5 The determination and direction of revised IRM values, where applicable will, as a consequence of the Annual Iteration Process for the GT1 Price Control Financial Model, mean that the value of the term MOD as derived for Formula Year t for the purposes of Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) result in an adjustment of the Licensee’s Base NTS Transportation Owner Revenue in a manner that:
   (a) takes account of revisions to IRM values for particular Formula Years; and
   (b) takes account of approved changes for the purposes of the Totex Incentive Mechanism adjustment as set out in Special Condition 5B (Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – NTS Transportation Owner).

Part A: Features that qualify an innovation Roll-out for additional funding

5D.6 The Roll-out by the Licensee of a Proven Innovation will allow the Licensee to receive additional funding within the Price Control Period only if the Authority is satisfied that the Roll-out:
   (a) will deliver Carbon Benefits or any other environmental benefits;
   (b) will provide long-term value for money for gas transporter consumers;
   (c) will not enable the Licensee to receive commercial benefits from the Roll-out within the remainder of the Price Control Period (for instance, where the Roll-out of a Proven Innovation will lead to cost savings (including benefits from other incentives) equal to or greater than its implementation costs within the Price Control Period); and
(d) will not be used to fund any of the Ordinary Business Arrangements of the Licensee.

**Part B: Licensee’s ability to propose a relevant adjustment**

5D.7 The Licensee may by notice to the Authority, and in accordance with Parts C and D of this condition, propose a relevant adjustment within the meaning of paragraph 5D.9 of this condition to recover Innovation Roll-out Costs where these costs would constitute a material amount within the meaning of paragraph 5D.8 of this condition.

5D.8 A material amount is the amount of the Innovation Roll-out Costs, when multiplied by the Licensee’s Totex Incentive Strength Rate as set out in Appendix 1 of this condition, that exceeds or is likely to exceed 1 per cent of the Licensee’s materiality threshold amount, as set out in Appendix 2 of this condition.

5D.9 A relevant adjustment is an adjustment:

(a) which the Licensee believes will enable it to recover Innovation Roll-out Costs associated with a single Proven Innovation that would not otherwise be recoverable under the Special Conditions; and

(b) which applies only in respect of Innovation Roll-out Costs that have not yet been incurred.

**Part C: Application windows for relevant adjustment proposals**

5D.10 There are two application windows during which a relevant adjustment may be proposed by notice served under Part B of this condition:

(a) the first application window opens on 1 May 2015 and closes on 31 May 2015; and

(b) the second application window opens on 1 May 2018 and closes on 31 May 2018.

5D.11 A relevant adjustment may be proposed during either of the application windows provided that in each case the proposal complies with the provisions of paragraphs 5D.8 and 5D.9 of this condition.

**Part D: Other provisions relating to the Licensee’s proposal**

5D.12 A notice served by the Licensee under Part B of this condition will in all cases:

(a) state any statutory obligations or any requirements of this licence to which the notice relates;

(b) describe the Proven Innovation that the Licensee proposes to Roll-out;

(c) propose the amount of the relevant adjustment and set out, by reference to the Innovation Roll-out Costs, the basis on which the Licensee has calculated the relevant adjustment;

(d) demonstrate that the costs to be recovered by the relevant adjustment will be a material amount for the purposes of paragraph 5D.8 of this condition;

(e) demonstrate how each of the criteria set out in Part A of this condition will be fulfilled by the additional funding sought;
(f) propose relevant outputs or other end products against which the Roll-out will be assessed; and

(g) state the date from which it is proposed that the relevant adjustment will have effect (“the adjustment date”).

5D.13 The adjustment date will not be a date that is earlier than:

(a) 1 April 2016 in the case of a relevant adjustment proposed during the first application window; and

(b) 1 April 2019 in the case of a relevant adjustment proposed during the second and final application window.

Part E: Authority’s determination of a relevant adjustment

5D.14 Where the Licensee serves a notice under Part B of this condition, the Authority may, within four months of the close of the application window during which the notice was submitted to the Authority, determine whether the proposed relevant adjustment should result in a revision to the IRM values subject to paragraph 5D.15 of this condition.

5D.15 In determining any relevant adjustment under this Part E, the Authority will:

(a) consult the Licensee;

(b) have particular regard to the purposes of this condition and the notice given under Part B of this condition; and

(c) take no account of the financial performance of the Licensee relative to any of the assumptions, whether expressed or implied, by reference to which the Special Conditions may have been framed.

Part F: Determination by the Authority of revisions to IRM value

5D.16 This part sets out the basis for determining revisions to the IRM value for use in the Annual Iteration Process for the GT1 Price Control Financial Model.

5D.17 The Authority will, by 30 November in each Formula Year t-1, determine whether the allowed expenditure for any Formula Year is different to the IRM value in the PCFM for the corresponding Formula Year and, in any case where it is different, the Authority will:

(a) determine that the IRM value for the applicable Formula Year is to be revised to reflect any changes as a result of determinations made by the Authority under Part E of this condition in Formula Year t-1; and

(b) issue a direction, in accordance with the provisions of Part G of this condition, specifying any revised IRM values determined under sub-paragraph (a) of this paragraph and the Formula Years to which they relate.

Part G: Procedure for direction of revised IRM values by the Authority

5D.18 Any revised IRM values determined by the Authority in accordance with Part F of this condition will be directed by the Authority by 30 November in each Formula Year t-1.

5D.19 Before issuing any directions under paragraph 5D.18 of this condition, the Authority will give notice to the Licensee of all of the values that it proposes to direct.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
5D.20 The notice referred to in paragraph 5D.19 of this condition will:

(a) state that any revised IRM values have been determined in accordance with Part F of this condition; and

(b) specify the period (which will not be less than 14 days from the date of the notice) within which the Licensee may make any representations concerning the determination of any revised IRM values.

5D.21 The Authority will have due regard to any representations duly received in response to this notice under paragraph 5D.20 of this condition, and give reasons for its decisions in relation to them.

5D.22 Where the Authority directs any revised IRM values relating to Formula Years which are earlier than Formula Year t, the effect of using those revised IRM values in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment as set out in Special Condition 4A (Governance of GT1 Price Control Financial Instruments), be reflected in the calculation of the term MOD for Formula Year t and, for the avoidance of doubt, it will not have any retrospective effect on a previously directed value of the term MOD.

5D.23 If, for any reason in any Formula Year t-1, the Authority does not make a direction in relation to revised IRM values by 30 November, then no revised IRM values will be used in the Annual Iteration Process that is required by Special Condition 4B (Annual Iteration Process of the GT1 Price Control Financial Model) to be undertaken by the Authority by 30 November in that same Formula Year t-1. In those circumstances, the Authority will take full account of the position when determining and directing any revised IRM values in respect of the next Annual Iteration Process.

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 – 10 December 2019
### APPENDIX 1: Totex Incentive Strength Rate

<table>
<thead>
<tr>
<th>Licensee</th>
<th>Totex Incentive Strength Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Grid Gas plc</td>
<td>44.36</td>
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</table>

### APPENDIX 2: Materiality threshold amount

<table>
<thead>
<tr>
<th>Licensee</th>
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</thead>
<tbody>
<tr>
<td>National Grid Gas plc</td>
<td>641.290</td>
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</tbody>
</table>
Special Condition 5E. Arrangements for the recovery of uncertain costs

Introduction

5E.1 The purpose of this condition is as follows:
(a) to allow the Licensee or the Authority to propose, and the Authority to determine, adjustments to the Licensee’s levels of allowed expenditure (“relevant adjustments”) in relation to the categories of costs set out in paragraph 5E.3 of this condition (each “an uncertain cost category”); and
(b) to determine any appropriate revisions to PCFM Variable Values necessary to implement relevant adjustments and to determine the Formula Years to which those revised PCFM Variable Values relate for use in the Annual Iteration Process for the GT1 Price Control Financial Model, as described in Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model).

5E.2 The application of the mechanisms set out in this condition ensures that, as a consequence of the Annual Iteration Process, the value of the term MOD_t as calculated for Formula Year t for the purposes of Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) will result in an appropriate adjustment to the Licensee’s Base NTS Transportation Owner Revenue in a manner that takes account of the allowed expenditure levels in relation to the uncertain cost categories specified in paragraph 5E.3 of this condition, determined under Part A of this condition for the purposes of the Totex Incentive Mechanism Adjustment, in accordance with the methodology set out in chapters 6 and 7 of the GT1 Price Control Financial Handbook.

5E.3 The uncertain cost categories referred to in paragraph 5E.1 of this condition are:
(a) Enhanced Physical Site Security Costs;
(b) Industrial Emissions Costs;
(c) Pipeline Diversion Costs;
(d) Quarry and Loss Development Claim Costs;
(e) One-off Asset Health Costs;
(f) Network Flexibility Costs; and
(g) PARCA Termination Value.

5E.4 This condition should be read and construed in conjunction with Special Condition 4A (Governance of GT1 Price Control Financial Instruments) and Special Condition 4B. 

Part A: Proposal and determination of relevant adjustments

5E.5 This Part provides for:
(a) the proposal of relevant adjustments by the Licensee or by the Authority;
(b) the determination of relevant adjustments by the Authority; and
(c) the deeming of relevant adjustments in certain circumstances.

Proposal of relevant adjustments

5E.6 Subject to paragraph 5E.9 of this condition, the Licensee may, by notice to the Authority, and the Authority may by notice to the Licensee, propose a relevant adjustment in relation to any uncertain cost category for any Formula Year or Formula Years from 2013/14 to 2020/21, provided that the proposed change to allowed expenditure:

(a) is based on information about actual or forecast levels of efficient expenditure requirements for an uncertain cost category that was not available when the Licensee’s Opening Base Revenue Allowance was derived;
(b) takes account of any relevant adjustments previously determined under this condition;
(c) with the exception of PARCA Termination Value in aggregate constitutes a material amount within the meaning of paragraph 5E.7 of this condition;
(d) relates to costs incurred or expected to be incurred after 1 April 2013; and
(e) constitutes an adjustment to allowed expenditure which cannot be made under the provisions of any other Special Condition of this licence.

5E.7 A material amount is an amount of change to allowed expenditure which, when multiplied by the Licensee’s Totex Incentive Strength Rate set out in Appendix 1 of this condition, exceeds or is likely to exceed:

(a) in the case of uncertain cost categories set out in paragraph 5E.3 sub-paragraphs (a) to (d) of this condition, one per cent of the Licensee’s materiality threshold amount set out in Appendix 2 of this condition; and
(b) in the case of uncertain cost categories set out in paragraph 5E.3 sub-paragraphs (e) and (f) of this condition, two per cent of the Licensee’s materiality threshold amount set out in Appendix 2 of this condition.

5E.8 A proposal made under paragraph 5E.6 of this condition must include statements setting out:

(a) the uncertain cost category to which the proposal relates;
(b) the changes to the Licensee’s allowed expenditure levels that are proposed and the Formula Years to which those changes relate; and
(c) the basis of calculation for the changes to the Licensee’s allowed expenditure levels referred to in sub-paragraph (b) of this paragraph.

Application windows for relevant adjustment proposals

5E.9 In relation to the uncertain cost categories set out in paragraph 5E.3 sub-paragraphs (a) to (e) of this condition, the Licensee and the Authority may only propose relevant adjustments during the following application windows:

(a) the first application window which opens on 1 May 2015 and closes on 31 May 2015; and
(b) the second application window which opens on 1 May 2018 and closes on 31 May 2018.

5E.10 Relevant adjustments relating to an uncertain cost category set out in paragraph 5E.3 sub-paragraphs (a) to (e) of this condition may be proposed during both the first and second application window provided that each such relevant adjustment proposal complies with the provisions of paragraphs 5E.6 to 5E.8 of this condition.

5E.11 Relevant adjustment proposals, in relation to an uncertain cost category set out in paragraph 5E.3 sub-paragraphs (a) to (e) of this condition, made outside the application windows set out in paragraph 5E.9 of this condition will not be determined by the Authority under the provisions of this condition.

5E.12 Relevant adjustment proposals, in relation to an uncertain cost category set out in paragraph 5E.3 sub-paragraphs (f) and (g) of this condition may be proposed, by the Licensee or the Authority, at any time.

**Authority’s power to determine relevant adjustments**

5E.13 Where a proposal has been duly made under paragraph 5E.6 of this condition, the Authority may, within four months after the close of the relevant application window (or in relation to an uncertain cost category set out in paragraph 5E.3 sub-paragraphs (f) and (g) of this condition within four months of the receipt of a relevant adjustment proposal), determine any relevant adjustments that are to be made to the Licensee's allowed expenditure levels and the Formula Years to which those changes relate, in such manner as it considers appropriate.

5E.14 In determining any relevant adjustment under paragraph 5E.13 of this condition, the Authority will:

(a) consult with the Licensee and other interested parties;
(b) have particular regard to the purposes of this condition; and
(c) take no account of the general financial performance of the Licensee under the price control arrangements set out in the Special Conditions of this licence.

5E.15 A determination under paragraph 5E.13 of this condition may confirm, reject, or amend the proposed relevant adjustment.

5E.16 Without limiting the general effect of paragraph 5E.15 of this condition, a determination by the Authority of a relevant adjustment may specify changes to allowed expenditure levels for the Licensee in relation to an uncertain cost category for any Formula Year from 2013/14 to 2020/21.

5E.17 The Authority will notify the Licensee of any determination made under paragraph 5E.13 of this condition within 14 days of making the determination concerned.

5E.18 If the Authority has not determined a relevant adjustment in relation to a proposal duly made by the Licensee under paragraph 5E.6 of this condition within four months after the close of the relevant application window (or in relation to an uncertain cost category set out in paragraph 5E.3 sub-paragraphs (f) and (g) of this condition within four months of the receipt of a relevant adjustment proposal), and the proposal has not been withdrawn, then the relevant adjustment, insofar as it relates to changes to allowed expenditure levels for the Licensee for the Formula Years specified in the proposal, will be deemed to have been made.
Part B: Determination of revisions to PCFM Variable Values

5E.19 This Part provides for the determination and direction of revised PCFM Variable Values by the Authority for:

(a) Enhanced Physical Site Security Costs (IAEEPS values);
(b) Industrial Emissions Costs (IAIE values);
(c) Pipeline Diversion Costs (IAEPD values);
(d) Quarry and Loss Development Claim Costs (IAEQL values);
(e) One-off Asset Health Costs (IAEAH values);
(f) Network Flexibility Costs (IAENF values); and
(g) PARCA Termination Values (PTV).

5E.20 The Authority will determine whether any PCFM Variable Values should be revised for the purposes of implementing any relevant adjustments determined or deemed to have been made under the provisions of Part A of this condition.

5E.21 Determinations under paragraph 5E.20 of this condition are to be made in accordance with the methodology contained in chapter 7 of the GT1 Price Control Financial Handbook.

5E.22 Where the Authority directs any revised PCFM Variable Values for Formula Years earlier than Formula Year t, the effect of using those revised values in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term MOD for Formula Year t and, for the avoidance of doubt, will not have any retrospective effect on a previously directed value of the term MOD.

Part C: Procedure to be followed for the direction of revised PCFM Variable Values relating to the recovery of uncertain costs

5E.23 Subject to paragraph 5E.27 of this condition, revised PCFM Variable Values determined by the Authority in accordance with the provisions of Part B of this condition in relation to PCFM Variable Values set out in paragraph 5E.19 sub-paragraphs (a) to (e) of this condition will be directed by the Authority by:

(a) 30 November 2015 (or as soon as reasonably practicable thereafter), following the first application window; and

(b) 30 November 2018 (or as soon as reasonably practicable thereafter), following the second application window.

5E.24 Subject to paragraph 5E.27 of this condition, a revised PCFM Variable Value determined by the Authority in accordance with the provisions of Part B of this condition in relation to PCFM Variables Values set out in paragraph 5E.19 sub-paragraphs (f) and (g) of this condition will be directed by the Authority by 30 November following the end of the four month assessment period.

5E.25 Before issuing any directions under paragraphs 5E.23 or 5E.24 of this condition, the Authority will give notice to the Licensee of all of the revised values that it proposes to direct.
5E.26 The notice referred to in paragraph 5E.25 of this condition will:

(a) state that any revised PCFM Variable Values have been determined in accordance with Part B of this condition; and

(b) specify the period (which will not be less than 14 days from the date of the notice) within which the Licensee may make any representations concerning the determination of any revised PCFM Variable Values.

5E.27 The Authority will determine the revised PCFM Variable Values having due regard to any representations duly received under paragraph 5E.26 of this condition, and give reasons for its decisions in relation to them.

5E.28 If, for any reason, the Authority does not make a direction required under paragraphs 5E.23 and 5E.24 of this condition by the date specified in that paragraph, the Authority will direct the values concerned as soon as is reasonably practicable thereafter, consistent with the purpose of Part B of Special Condition 4B and, in any case, before directing a value for MOD\textsubscript{t} under those paragraphs.

**Part D: Consequential changes to the Constraint Management Target**

5E.29 For the following uncertain cost categories specified in this condition:

(a) Industrial Emissions Costs;

(b) One-off Asset Health Costs; and

(c) Network Flexibility Costs

the Authority may direct modifications to the Licensee’s Constraint Management target CMOpDT\textsubscript{t} in accordance with the process set out in Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management).

**Part E: Interpretation**

5E.30 Defined terms in this condition and in Special Condition 1A (Definitions) are to be read and given effect subject to any further clarification that might be set out in the relevant Regulatory Instructions and Guidance issued by the Authority under Standard Special Condition A40 (Regulatory Instructions and Guidance) in relation to such terms.

---

**APPENDIX 1: TOTEX INCENTIVE STRENGTH RATE**

*(see paragraph 5E.7 of this condition)*

<table>
<thead>
<tr>
<th>Licensee</th>
<th>Totex Incentive Strength Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Grid Gas plc</td>
<td>44.36%</td>
</tr>
</tbody>
</table>

**APPENDIX 2: MATERIALITY THRESHOLD AMOUNT**

*(see paragraph 5E.7 of this condition)*

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 – 10 December 2019
<table>
<thead>
<tr>
<th>Licensee</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Grid Gas plc</td>
<td>641.290</td>
</tr>
</tbody>
</table>
Special Condition 5F. Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply and the creation of Zero Licence Baseline Capacity Entry Points

Introduction

5F.1 The purpose of this condition is to set out:

(a) the process by which the Licensee can propose, and the Authority can approve the volume of Incremental Obligated Entry Capacity;

(b) the treatment of Incremental Obligated Entry Capacity for the purposes of the Special Conditions, including the appropriate funding allowance for that Incremental Obligated Entry Capacity;

(c) the obligations on the Licensee to calculate revenue drivers for NTS Entry Points where required (as set out in this condition) in a timely manner;

(d) the means by which Zero Licence Baseline Capacity Entry Points may be created for Days from 10 December 2019; and

(e) the Licensee’s obligation to consult in relation to Zero Licence Baseline Capacity Entry Points.

5F.2 The EnCl\textsubscript{t} term derived in accordance with this condition will constitute a revised value for the PCFM Variable Value EnCl\textsubscript{t} for Formula Year \textit{t} for use in the Annual Iteration Process for the GT1 Price Control Financial Model as described in Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model). As a consequence of the Annual Iteration Process, the value of the term MOD\textsubscript{t} as calculated for Formula Year \textit{t} for the purposes of Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) will result in an adjustment of the Licensee’s Base NTS Transportation Owner Revenue in a manner that is consistent with the policy set out in the GT1 Price Control Financial Methodologies contained within the GT1 Price Control Financial Handbook.

Part A: Notice to release Incremental Obligated Entry Capacity

5F.3 Where the Licensee receives a request for Funded Incremental Obligated Entry Capacity it must publish a notice in writing setting out where it intends to reserve that capacity subject to the provisions in the appropriate capacity methodology statements.

5F.4 The Licensee must ensure adequate publicity to any such notice.

5F.5 The notice must set out the quantity of capacity requested at each NTS Entry Point at which the Licensee has received a request for that volume of Firm Entry Capacity in excess of the prevailing level of Firm Entry Capacity to be treated as Incremental Obligated Entry Capacity. If capacity has been requested at a place where, at the time of the request, no NTS Entry Point has been defined in the licence, the notice must set out a description of the location at which that capacity has been requested.

5F.6 The notice must also set out the Licensee’s proposal for that quantity of Firm Entry Capacity to be treated for the purposes of this condition as either:
(a) Funded Incremental Obligated Entry Capacity; or
(b) Non-incremental Obligated Entry Capacity provided by Entry Capacity Substitution in accordance with Special Condition 9A.

Part B: Proposal to release Incremental Obligated Entry Capacity and the associated funding arrangements

5F.7 Where the Licensee reasonably believes that there is or will be demand from Users for the volume of Firm Entry Capacity in excess of the prevailing level of Firm Entry Capacity as a result of calculations carried out by the Licensee in accordance with its Capacity Methodology Statements for the time being in force pursuant to Special Conditions 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements) and 9B (Methodology to determine the release of Entry Capacity and Exit Capacity volumes), it must give a notice in writing (the “Entry Capacity notice”) to the Authority.

5F.8 The Entry Capacity notice must set out the Licensee’s proposals in respect of each NTS Entry Point at which the Licensee believes there is or will be demand for that volume of Firm Entry Capacity in excess of the prevailing level of Firm Entry Capacity to be treated as Incremental Obligated Entry Capacity (the “proposal”).

5F.9 The Entry Capacity notice must set out the Licensee’s proposal for that volume of Firm Entry Capacity to be treated for the purposes of this condition as either:
(a) Funded Incremental Obligated Entry Capacity; or
(b) Non-incremental Obligated Entry Capacity provided by Entry Capacity Substitution in accordance with Special Condition 9A.

5F.10 The Entry Capacity notice must include the following information, in sufficient detail to enable the Authority to determine (in accordance with paragraph 5F.13 of this condition) whether the Licensee must implement the proposal:
(a) the results of applying the capacity release methodology statements for the time being in force pursuant to Special Condition 9B and the rationale and justification for why the Licensee considers that the volume of Firm Entry Capacity should be released;
(b) how the capacity release methodology statements for the time being in force pursuant to Special Condition 9B have been applied (including the provision of all relevant input data) by the Licensee to determine the amount of Firm Entry Capacity that it proposes to treat as Incremental Obligated Entry Capacity;
(c) the NTS Entry Point or NTS Entry Points to which the proposal relates;
(d) the volume of Incremental Obligated Entry Capacity that the Licensee proposes to treat as:
   (i) Funded Incremental Obligated Entry Capacity and the associated revenue driver allowance for each relevant Formula Year t EnClt calculated in accordance with Part C of this condition and/or associated
variation to the Constraint Management target for each relevant Formula Year t CMOOpDT; for the purposes of Part I of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management); and

(ii) Non-incremental Obligated Entry Capacity substituted to that NTS Entry Point in accordance with the Entry Capacity Substitution methodology for the time being in force pursuant to Special Condition 9A to which the proposal relates;

(e) the volume of unsold Non-incremental Obligated Entry Capacity that has been substituted from one or more other NTS Entry Points, in accordance with the Entry Capacity Substitution methodology for the time being in force pursuant to Special Condition 9A;

(f) the first month in which the volume of Incremental Obligated Entry Capacity referred to in paragraph 5F.10(d) of this condition would be provided at the relevant NTS Entry Point or in which the volume of Non-incremental Obligated Entry Capacity referred to in paragraph 5F.10(e) of this condition would cease to be provided at the relevant NTS Entry Points (for the avoidance of doubt, the capacity will be deemed to be used from the first Day of the month in question);

(g) the date in respect of which the Licensee’s obligations to offer for sale the volume of Incremental Obligated Entry Capacity referred to in paragraph 5F.10(d) of this condition would commence and the date on which the Licensee’s obligations to offer for sale that volume of Non-incremental Obligated Entry Capacity substituted away from those NTS Entry Points referred to in paragraph 5F.10(e) of this condition would cease; and

5F.11 The Licensee must keep each Entry Capacity notice.

5F.12 The Licensee must provide the Authority with such additional information as the Authority reasonably requests for the purposes of considering an Entry Capacity notice made by the Licensee.

5F.13 The Licensee must implement the proposal as set out within the Entry Capacity notice made pursuant to paragraph 5F.7 of this condition or as modified in accordance with paragraph 5F.14(b) of this condition, unless:

(a) the Authority has, within 7 days from the receipt by the Authority of the Entry Capacity notice, notified the Licensee in writing that it should suspend the implementation of the proposal contained in the Entry Capacity notice because, in its opinion, the Authority requires further consideration to evaluate whether that proposal, and the supporting information, is consistent with the Licensee’s Entry Capacity release methodology, the Licensee’s Entry Capacity Substitution methodology (established pursuant to Special Condition 9A), and the Licensee’s duties under the Act and the obligations in this licence; or

(b) the Authority has, within 28 days from the receipt by the Authority of the application made pursuant to paragraph 5F.7 of this condition, directed the Licensee, on or before that date, not to implement that proposal.

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5F.14 Where the Authority has notified the Licensee in writing to suspend implementation of the proposal in accordance with paragraph 5F.13(a) of this condition but has not issued a direction under paragraph 5F.13(b) of this condition, the Authority may direct the Licensee, within 28 days from the receipt by the Authority of the Entry Capacity notice either:

(a) to implement the proposal as set out in the Entry Capacity notice; or

(b) to implement the proposal in a modified form, subject to the agreement of the Licensee to that modified form, where such modifications relate to:

(i) the volume of Incremental Obligated Entry Capacity that the Licensee proposes to treat as:

1. Funded Incremental Obligated Entry Capacity; or
2. Non-incremental Obligated Entry Capacity substituted to any NTS Entry Point in accordance with the Entry Capacity Substitution methodology for the time being in force pursuant to Special Condition 9A; and

(ii) the first month in respect of which the volume of Incremental Obligated Entry Capacity or Non-incremental Obligated Entry Capacity referred to in:

1. paragraph 5F.10(d) of this condition would be provided at the relevant NTS entry point; or
2. paragraph 5F.10(e) of this condition would cease to be provided at the relevant NTS entry points.

5F.15 The Licensee may withdraw an Entry Capacity notice within 7 days from receipt by the Authority of the Entry Capacity notice, except where the Authority has notified the Licensee under paragraph 5F.13(a) of this condition to suspend implementation of the proposal set out in an Entry Capacity notice.

5F.16 Where the Authority makes a notification under paragraph 5F.13(a), the Licensee may withdraw such a proposal within 28 days from receipt by the Authority of the Entry Capacity notice, unless the Authority has otherwise directed the Licensee to implement the proposal in accordance with paragraph 5F.14 of this condition.

5F.17 Where the Authority has made a direction that the Licensee should not implement a proposal set out in an Entry Capacity notice, the Licensee remains entitled to make available Firm Entry Capacity additional to the prevailing level of Obligated Entry Capacity at the time the proposal is made, and any such volume of Firm Entry Capacity sold by the Licensee must be treated as Non-obligated Entry Capacity.

5F.18 The Licensee must publish on its website the effect of implementing each proposal set out in an Entry Capacity notice on the cumulative volume of Funded Incremental Obligated Entry Capacity and Non-incremental Obligated Entry Capacity for each NTS Entry Point i for each month m in a form and manner approved by the Authority.

5F.19 The Licensee must use reasonable endeavours to ensure that the information published pursuant to paragraph 5F.18 is accurate and up-to-date.
5F.20 Where the Authority directs that the Licensee should implement a proposal set out in an Entry Capacity notice, the licensee must calculate the appropriate additional Totex Allowance in accordance with Part C.

**Part C: Additional Totex allowance in respect of the release of Funded Incremental Obligated Entry Capacity**

5F.21 This paragraph applies where the Licensee has made a proposal pursuant to Part B above which has proposed that Entry Capacity be treated for the purposes of this condition as Funded Incremental Obligated Entry Capacity.

5F.22 The total Totex allowance for Formula Year $t$ due to the Licensee in respect of the release of Funded Incremental Obligated Entry Capacity ($\text{EnCl}_t$) will be determined in accordance with the following formula:

\[
\begin{align*}
\text{EnCl}_t &= 0.2 \times \sum_{i} \sum_{j} \text{TotEntRevD}_{i,j,y} \times \text{EntIND}_t; \quad \text{where } t = y-2 \\
\text{EnCl}_t &= 0.8 \times \sum_{i} \sum_{j} \text{TotEntRevD}_{i,j,y} \times \text{EntIND}_t; \quad \text{where } t = y-1 \\
\text{EnCl}_t &= 0.01 \times \sum_{i} \sum_{j} \text{TotEntRevD}_{i,j,y} \times \text{EntIND}_t; \quad \text{where } t = y \text{ and any subsequent Formula Year to the end of the Price Control Period}
\end{align*}
\]

\[
\text{EnCl}_t = 0; \text{ otherwise}
\]

where:

- $y$ is the Formula Year during which the Contractual Delivery Date for Funded Incremental Obligated Entry Capacity at NTS Entry Point $i$ for an amount of Incremental Entry Capacity of $j$ GWh/d falls.
- $\sum_{i} \sum_{j} \text{TotEntRevD}_{i,j,y}$ is the additional Totex allowance in respect of the release of Funded Incremental Obligated Entry Capacity at NTS Entry Point $i$ for an amount of Incremental Obligated Entry Capacity of $j$ GWh/d, calculated as provided for in with Part D of this condition.
- $\text{EntIND}_t$ is the real additional cost inflation index above RPI based on the real price effect allowance for Formula Year $t$ and will take the values in Table 1 below.

**Table 1: Values for the real additional cost inflation index**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$\text{EntIND}_t$</td>
<td>1.015</td>
<td>1.018</td>
<td>1.022</td>
<td>1.026</td>
<td>1.029</td>
<td>1.033</td>
<td>1.037</td>
<td>1.041</td>
</tr>
</tbody>
</table>

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
Part D: Additional Totex allowances in respect of the release of Funded Incremental Obligated Entry Capacity (\(\text{TotEntRevD}_{i,j,y}\))

5F.23 The Authority will determine a value for \(\text{TotEntRevD}_{i,j,y}\) by 30 September or as soon as reasonably practicable thereafter in Formula Year \(t-1\) where an additional Totex allowance in respect of the release of Funded Incremental Obligated Entry Capacity will apply for Formula Year \(t\) and will bring forward a proposal to modify this condition to implement that determination by modifying Table 2 as soon as is reasonably practicable.

**Table 2: Directed values for additional Totex allowance for Funded Incremental Obligated Entry Capacity (\(\text{TotEntRevD}_{i,j,y}\)) (£m 2009/10 prices)**

<table>
<thead>
<tr>
<th>Entry point (i)</th>
<th>Date directed</th>
<th>Date of contractual delivery of capacity (within Formula Year (y))</th>
<th>Volume (in units of GWh/d) of capacity delivered (j)</th>
<th>(\text{TotEntRevD}_{i,j,y}) (£m 2009/10 prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry point A</td>
<td>nn/nn/nn</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entry point B</td>
<td>nn/nn/nn</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Part E: Procedure for direction of \(\text{EnCl}_t\) values by the Authority

5F.24 Any value for \(\text{EnCl}_t\) applying for Formula Year \(t\) determined by the Authority in accordance with Part C of this condition will be directed by the Authority by 30 November or as soon as reasonably practicable thereafter in each Formula Year \(t-1\).

5F.25 The values directed by the Authority under paragraph 5F.24 will be deemed to be set out in Table 3 below.

**Table 3: Directed values for additional Totex allowance for Funded Incremental Obligated Entry Capacity (\(\text{EnCl}_t\)) (£m 2009/10 prices)**

<table>
<thead>
<tr>
<th>Value for (\text{EnCl}_t) (£m) (2009/10 prices)</th>
<th>Formula Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry point A</td>
<td>nn/nn/nn</td>
</tr>
<tr>
<td>Entry point B</td>
<td>nn/nn/nn</td>
</tr>
</tbody>
</table>
Part F: Non-incremental Obligated Entry Capacity

5F.26 Non-incremental Obligated Entry Capacity shall be the sum of Licence Baseline Entry Capacity, as set out in paragraph 5F.27 adjusted for Entry Capacity Substitution and Legacy TO Entry Capacity from the date that the revenue entitlement in accordance with Part B of Special Condition 3A (Restriction of NTS System Operation Revenue) has ceased.

5F.27

(A) 
(a) Table 4A below sets out Licence Baseline Entry Capacity and zero Licence Baseline Entry Capacity for Days prior to 1 November 2015,

(b) Table 4B below sets out Licence Baseline Entry Capacity for Days from 1 November 2015 and, zero Licence Baseline Entry Capacity for Days from 1 November 2015 until 10 December 2019,

(c) The Zero Licence Baseline Entry Capacity Table sets out a list of any Zero Licence Baseline Capacity Entry Points created for Days from 10 December 2019.

(B) A new Zero Licence Baseline Capacity Entry Point shall be created when the Licensee records the existence of the new Zero Licence Baseline Capacity Entry Point in the Zero Licence Baseline Entry Capacity Table.

(C) The Licensee shall promptly inform the Authority of the creation of any new Zero Licence Baseline Capacity Entry Point.

(D) The following shall apply in relation to the tables in (A) above:

(a) Any new Zero Licence Baseline Capacity Entry Point shall not be recorded in Table 4B below,

(b) A Zero Licence Baseline Capacity Entry Point shall be removed from the Zero Licence Baseline Entry Capacity Table if Licence Baseline Entry Capacity is created at the NTS Entry Point by virtue of an amendment to this licence,

(c) Any NTS Entry Point at which there is zero Licence Baseline Entry Capacity listed in Table 4A or Table 4B below before 10 December 2019, shall continue to exist in Table 4A or Table 4B below, and shall not be transferred to the Zero Licence Baseline Entry Capacity Table because of the creation of the Zero Licence Baseline Entry Capacity Table.
### Table 4A: Licence Baseline Entry Capacity

<table>
<thead>
<tr>
<th>NTS Entry Point</th>
<th>Baseline capacity (in GWh/d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bacton</td>
<td>1,783.4</td>
</tr>
<tr>
<td>Barrow</td>
<td>309.1</td>
</tr>
<tr>
<td>Easington</td>
<td>1,062.0</td>
</tr>
<tr>
<td>St. Fergus</td>
<td>1,670.7</td>
</tr>
<tr>
<td>Teesside</td>
<td>476.0</td>
</tr>
<tr>
<td>Theddlethorpe</td>
<td>610.7</td>
</tr>
<tr>
<td>Glenmavis</td>
<td>99.0</td>
</tr>
<tr>
<td>Partington</td>
<td>215.0</td>
</tr>
<tr>
<td>Avonmouth</td>
<td>179.3</td>
</tr>
<tr>
<td>Isle of Grain</td>
<td>218.0</td>
</tr>
<tr>
<td>Dynevor Arms</td>
<td>49.0</td>
</tr>
<tr>
<td>Hornsea</td>
<td>175.0</td>
</tr>
<tr>
<td>Hatfield Moor (storage)</td>
<td>25.0</td>
</tr>
<tr>
<td>Hatfield Moor (onshore)</td>
<td>0.3</td>
</tr>
<tr>
<td>Cheshire</td>
<td>285.9</td>
</tr>
<tr>
<td>Hole House Farm</td>
<td>131.6</td>
</tr>
<tr>
<td>Wytch Farm</td>
<td>3.3</td>
</tr>
<tr>
<td>Burton Point</td>
<td>73.5</td>
</tr>
<tr>
<td>Milford Haven</td>
<td>0</td>
</tr>
<tr>
<td>Barton Stacey</td>
<td>172.6</td>
</tr>
<tr>
<td>Garton</td>
<td>420</td>
</tr>
<tr>
<td>Burton Agnes (Caythorpe)</td>
<td>0</td>
</tr>
<tr>
<td>Winkfield</td>
<td>0</td>
</tr>
</tbody>
</table>

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
### Table 4B: Licence Baseline Entry Capacity

<table>
<thead>
<tr>
<th>NTS Entry Point</th>
<th>Type of Entry</th>
<th>Baseline capacity (in GWh/d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bacton (UKCS)</td>
<td>BEACH TERMINAL</td>
<td>485.6</td>
</tr>
<tr>
<td>Bacton (IP)</td>
<td>INTERCONNECTION POINT</td>
<td>1297.8</td>
</tr>
<tr>
<td>Barrow</td>
<td>BEACH TERMINAL</td>
<td>309.1</td>
</tr>
<tr>
<td>Easington</td>
<td>BEACH TERMINAL</td>
<td>1,062.0</td>
</tr>
<tr>
<td>St. Fergus</td>
<td>BEACH TERMINAL</td>
<td>1,670.7</td>
</tr>
<tr>
<td>Teesside</td>
<td>BEACH TERMINAL</td>
<td>476.0</td>
</tr>
<tr>
<td>Theddlethorpe</td>
<td>BEACH TERMINAL</td>
<td>610.7</td>
</tr>
<tr>
<td>Glenmavis</td>
<td>STORAGE SITE</td>
<td>99.0</td>
</tr>
<tr>
<td>Partington</td>
<td>STORAGE SITE</td>
<td>215.0</td>
</tr>
<tr>
<td>Avonmouth</td>
<td>STORAGE SITE</td>
<td>179.3</td>
</tr>
<tr>
<td>Isle of Grain</td>
<td>LNG IMPORTATION TERMINAL</td>
<td>218.0</td>
</tr>
<tr>
<td>Dynevor Arms</td>
<td>STORAGE SITE</td>
<td>49.0</td>
</tr>
<tr>
<td>Hornsea</td>
<td>STORAGE SITE</td>
<td>175.0</td>
</tr>
<tr>
<td>Hatfield Moor (storage)</td>
<td>STORAGE SITE</td>
<td>25.0</td>
</tr>
<tr>
<td>Hatfield Moor (onshore)</td>
<td>ONSHORE FIELD</td>
<td>0.3</td>
</tr>
<tr>
<td>Cheshire</td>
<td>STORAGE SITE</td>
<td>285.9</td>
</tr>
<tr>
<td>Hole House Farm</td>
<td>STORAGE SITE</td>
<td>131.6</td>
</tr>
<tr>
<td>Wytch Farm</td>
<td>ONSHORE FIELD</td>
<td>3.3</td>
</tr>
<tr>
<td>Burton Point</td>
<td>ONSHORE FIELD</td>
<td>73.5</td>
</tr>
<tr>
<td>Milford Haven</td>
<td>LNG IMPORTATION TERMINAL</td>
<td>0</td>
</tr>
<tr>
<td>Murrow</td>
<td>BIOMETHANE PLANT</td>
<td>0</td>
</tr>
<tr>
<td>Barton Stacey</td>
<td>STORAGE SITE</td>
<td>172.6</td>
</tr>
<tr>
<td>Garton</td>
<td>STORAGE SITE</td>
<td>420</td>
</tr>
<tr>
<td>Burton Agnes (Caythorpe)</td>
<td>STORAGE SITE</td>
<td>0</td>
</tr>
</tbody>
</table>
5F.28 Entry Capacity that has been provided by Entry Capacity Substitution and the applicable date from which the Entry Capacity Substitution applies for the purposes of calculating Non-incremental Obligated Entry Capacity is set out in Table 5.

Table 5: Entry Capacity Substitution

<table>
<thead>
<tr>
<th>NTS Entry Point</th>
<th>Date from which Entry Capacity Substitution applies</th>
<th>Entry Capacity Substitution (GWh/d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barrow</td>
<td>January 2015</td>
<td>30.91</td>
</tr>
<tr>
<td>Teesside</td>
<td>January 2015</td>
<td>-30.91</td>
</tr>
</tbody>
</table>

5F.29 Legacy TO Entry Capacity and the dates from which it must be offered for sale as Non-incremental Obligated Entry Capacity is set out in Table 6.

Table 6: Legacy TO Entry Capacity

<table>
<thead>
<tr>
<th>NTS Entry Points</th>
<th>Applicable date</th>
<th>Legacy TO Entry Capacity (GWh/d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milford Haven</td>
<td>April 2017</td>
<td>650</td>
</tr>
<tr>
<td>Milford Haven</td>
<td>April 2017</td>
<td>300</td>
</tr>
<tr>
<td>Isle of Grain</td>
<td>April 2017</td>
<td>235.4</td>
</tr>
<tr>
<td>Easington</td>
<td>April 2017</td>
<td>345</td>
</tr>
<tr>
<td>Hornsea</td>
<td>April 2017</td>
<td>58.1</td>
</tr>
<tr>
<td>Fleetwood</td>
<td>April 2017 to November 2017</td>
<td>650</td>
</tr>
<tr>
<td></td>
<td>December 2017</td>
<td>350</td>
</tr>
<tr>
<td>Cheshire</td>
<td>April 2017</td>
<td>64.2</td>
</tr>
<tr>
<td>Cheshire</td>
<td>April 2017</td>
<td>192.6</td>
</tr>
<tr>
<td>Isle of Grain</td>
<td>October 2015</td>
<td>246.24</td>
</tr>
</tbody>
</table>
5F.30 The Licensee shall, unless otherwise directed by the Authority, conduct the consultation required by Article 18.4 of Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 in relation to any Zero Licence Baseline Capacity Entry Point and inform the Authority of the responses to this consultation. Within 14 days of the close of its consultation, the Licensee shall submit to the Authority:

(a) a report on the outcome of the consultation; and
(b) any written representations that were received from interested parties during the consultation process and have not been withdrawn.
Special Condition 5G. Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply and the creation of Zero Licence Baseline Capacity Exit Points

Introduction

5G.1 The purpose of this condition is to set out:
(a) the process by which the Licensee can propose, and the Authority can approve the volume of Incremental Obligated Exit Capacity;
(b) the treatment of Incremental Obligated Exit Capacity for the purposes of the Special Conditions, including the appropriate funding allowance for that Incremental Obligated Exit Capacity;
(c) the obligations on the Licensee to calculate revenue drivers for NTS Exit Points where required (as set out in this condition) in a timely manner;
(d) the means by which Zero Licence Baseline Capacity Exit Points may be created for Days from 10 December 2019; and
(e) the Licensee’s obligation to consult in relation to Zero Licence Baseline Capacity Exit Points.

5G.2 The ExCl_t term derived in accordance with this condition will constitute a revised value for the PCFM Variable Value ExCI for Formula Year t for use in the Annual Iteration Process for the GT1 Price Control Financial Model as described in Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model). As a consequence of the Annual Iteration Process, the value of the term MOD_t as calculated for Formula Year t for the purposes of Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) will result in an adjustment of the Licensee’s Base NTS Transportation Owner Activity Revenue in a manner that is consistent with the policy set out in the GT1 Price Control Financial Methodologies contained within the GT1 Price Control Financial Handbook.

Part A: Notice to release Incremental Obligated Exit Capacity

5G.3 Where the Licensee receives a request for Funded Incremental Obligated Exit Capacity it must publish a notice in writing setting out where it intends to reserve that capacity subject to the provisions in the appropriate capacity methodology statements.

5G.4 The Licensee must ensure adequate publicity to any such notice.

5G.5 The notice must set out the quantity of capacity requested at each NTS Exit Point at which the Licensee has received a request for that volume of Firm Exit Capacity in excess of the prevailing level of Firm Exit Capacity to be treated as Incremental Obligated Exit Capacity. If capacity has been requested at a place where, at the time of the request, no NTS Exit Point has been defined in the licence, the notice must set out a description of the location at which that capacity has been requested.

5G.6 The notice must also set out the Licensee’s proposal for that quantity of Firm Exit Capacity to be treated for the purposes of this condition as either:
(a) Funded Incremental Obligated Exit Capacity; or
(b) Non-incremental Obligated Exit Capacity provided by Exit Capacity Substitution in accordance with Special Condition 9A.

Part B: Proposal to release Incremental Obligated Exit Capacity and the associated funding arrangements

5G.7 Where the Licensee reasonably believes that there is or will be demand from Users for the volume of Firm Exit Capacity in excess of the prevailing level of Firm Exit Capacity as a result of calculations carried out by the Licensee in accordance with its Capacity Methodology Statements for the time being in force pursuant to Special Conditions 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements) and 9B (Methodology to determine the release of Entry Capacity and Exit Capacity volumes), it must give a notice in writing (the “Exit Capacity notice”) to the Authority.

5G.8 The Exit Capacity notice must set out the Licensee’s proposals in respect of each NTS Exit Point at which the Licensee believes there is or will be demand for that volume of Firm Exit Capacity to be treated as Incremental Obligated Exit Capacity (the “proposal”).

5G.9 The Exit Capacity notice must set out the Licensee’s proposal for that volume of Firm Exit Capacity to be treated for the purposes of this condition as either:
(a) Funded Incremental Obligated Exit Capacity; or
(b) Non-incremental Obligated Exit Capacity provided by Exit Capacity Substitution in accordance with Special Condition 9A.

5G.10 The Exit Capacity notice must include the following information, in sufficient detail to enable the Authority to determine (in accordance with paragraph 5G.13 of this condition) whether the Licensee must implement the proposal:
(a) the results of applying the capacity release methodology statements for the time being in force pursuant to Special Condition 9B and the rationale and justification for why the Licensee considers that the volume of Firm Exit Capacity should be released;
(b) how the capacity release methodology statements for the time being in force pursuant to Special Condition 9B have been applied (including the provision of all relevant input data) by the Licensee to determine the amount of volume of Firm Exit Capacity that it proposes to treat as Incremental Obligated Exit Capacity;
(c) the NTS Exit Point or NTS Exit Points to which the proposal relates;
(d) the volume of Incremental Obligated Exit Capacity that the Licensee proposes to treat as:
   (i) Funded Incremental Obligated Exit Capacity and the associated revenue driver allowance for each relevant Formula Year t ExCI_t,
calculated in accordance with Part C of this condition and/or associated variation to the Constraint Management target for each relevant Formula Year t CMOpDT; for the purposes of Part I of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management); and

(ii) Non-incremental Obligated Exit Capacity substituted to that NTS Exit Point in accordance with the Exit Capacity Substitution methodology for the time being in force pursuant to Special Condition 9A to which the proposal relates;

(e) the volume of unsold Non-incremental Obligated Exit Capacity that has been substituted from one or more other NTS Exit Points, in accordance with the Exit Capacity Substitution methodology for the time being in force pursuant to Special Condition 9A;

(f) the first month in which the volume of Incremental Obligated Exit Capacity referred to in paragraph 5G.10(d) of this condition would be provided at the relevant NTS Exit Point or in which the volume of Non-incremental Obligated Exit Capacity referred to in paragraph 5G.10(e) of this condition would cease to be used at the relevant NTS Exit Points (for the avoidance of doubt, the capacity will be deemed to be used from the first Day of the month in question);

(g) the date in respect of which the Licensee’s obligations to offer for sale the volume of Incremental Exit Capacity referred to in paragraph 5G.10(d) of this condition would commence and the date on which the Licensee’s obligations to offer for sale that volume of Non-incremental Obligated Exit Capacity substituted away from those NTS Exit Points referred to in paragraph 5G.10(e) of this condition would cease; and

5G.11 The Licensee must keep each Exit Capacity notice.

5G.12 The Licensee must provide the Authority with such additional information as the Authority reasonably requests for the purposes of considering an Exit Capacity notice made by the Licensee.

5G.13 The Licensee must implement the proposal as set out within the Exit Capacity notice made pursuant to paragraph 5G.7 of this condition or as modified in accordance with paragraph 5G.14(b) of this condition, unless:

(a) the Authority has, within 7 days from the receipt by the Authority of the Exit Capacity notice, notified the Licensee in writing that it should suspend the implementation of the proposal contained in the Exit Capacity notice because, in its opinion, the Authority requires further consideration to evaluate whether that proposal, and the supporting information, is consistent with the Licensee’s Exit Capacity release methodology, the Licensee’s Exit Capacity Substitution methodology (established pursuant to Special Condition 9A), and the Licensee’s duties under the Act and the obligations in this licence; or

(b) the Authority has, within 28 days from the receipt by the Authority of the application made pursuant to paragraph 5G.7 of this condition, directed the Licensee, on or before that date, not to implement that proposal.
5G.14 Where the Authority has notified the Licensee in writing to suspend implementation of the proposal in accordance with paragraph 5G.13(a) of this condition but has not issued a direction under paragraph 5G.13(b) of this condition the Authority may direct the Licensee, within 28 days from the receipt by the Authority of the Exit Capacity notice either:

(a) to implement the proposal as set out in the Exit Capacity notice; or

(b) to implement the proposal in a modified form, subject to the agreement of the Licensee to that modified form, where such modifications relate to:

(i) the volume of Incremental Obligated Exit Capacity that the Licensee proposes to treat as:

1. Funded Incremental Obligated Exit Capacity; or
2. Non-incremental Obligated Exit Capacity substituted to any NTS Exit Point in accordance with the Exit Capacity Substitution methodology for the time being in force pursuant to Special Condition 9A; and

(ii) the first month in respect of which the volume of Incremental Obligated Exit Capacity or Non-incremental Obligated Exit Capacity referred to in:

1. paragraph 5G.10(d) of this condition would be provided at the relevant NTS Exit Point; or
2. paragraph 5G.10(e) of this condition would cease to be used at the relevant NTS Exit Points.

5G.15 The Licensee may withdraw an Exit Capacity notice within 7 days from receipt by the Authority of the Exit Capacity notice, except where the Authority has notified the Licensee under paragraph 5G.13(a) of this condition to suspend implementation of the proposal set out in an Exit Capacity notice.

5G.16 Where the Authority makes a notification under paragraph 5G.13(a), the Licensee may withdraw such a proposal within 28 days from receipt by the Authority of the Exit Capacity notice, unless the Authority has otherwise directed the Licensee to implement the proposal in accordance with paragraph 5G.14 of this condition.

5G.17 Where the Authority has made a direction that the Licensee should not implement a proposal set out in an Exit Capacity notice, the Licensee remains entitled to make available Firm Exit Capacity additional to the prevailing level of Obligated Exit Capacity at the time the proposal is made, and any such volume of Firm Exit Capacity sold by the Licensee must be treated as Non-obligated Exit Capacity.

5G.18 The Licensee must publish on its website the effect of implementing each proposal set out in an Exit Capacity notice on the cumulative volume of Funded Incremental Obligated Exit Capacity and Non-incremental Obligated Exit Capacity for each NTS Exit Point i for each month m in a form and manner approved by the Authority.

5G.19 The Licensee must use reasonable endeavours to ensure that the information published pursuant to paragraph 5G.18 is accurate and up-to-date.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
5G.20 Where the Authority directs that the Licensee should implement a proposal set out in an Exit Capacity notice, the Licensee must calculate the appropriate additional Totex allowance in accordance with Part C.

**Part C: Additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity**

5G.21 This paragraph applies where the Licensee has made a proposal pursuant to Part A above which has proposed that Exit Capacity be treated for the purposes of this condition as Funded Incremental Obligated Exit Capacity.

5G.22 The total Totex allowance for Formula Year t due to the Licensee in respect of the release of Funded Incremental Obligated Exit Capacity (ExCl) will be determined in accordance with the following formula:

\[
\text{ExCl}_t = 0.2 \times \sum_{i1} \sum_{j} \text{TotExRevD}_{i,j,y} \times \text{ExIND}_t; \text{ where } t = y-2 \\
\text{ExCl}_t = 0.8 \times \sum_{i1} \sum_{j} \text{TotExRevD}_{i,j,y} \times \text{ExIND}_t; \text{ where } t = y-1 \\
\text{ExCl}_t = 0.01 \times \sum_{i1} \sum_{j} \text{TotExRevD}_{i,j,y} \times \text{ExIND}_t; \text{ where } t = y \text{ and any subsequent Formula Year to the end of the Price Control Period} \\
\text{ExCl}_t = 0; \text{ otherwise}
\]

where:

- \( y \) is the Formula Year during which the Contractual Delivery Date for Funded Incremental Obligated Exit Capacity at NTS Exit Point i for an amount of Incremental Exit Capacity of j GWh/d falls.
- \( \text{TotExRevD}_{i,j,y} \) is the additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity at NTS Exit Point i for an amount of Incremental Obligated Exit Capacity of j GWh/d, calculated as provided for in Part D of this condition.
- \( \text{ExIND}_t \) is the real additional cost inflation index above RPI based on the real price effect allowance for Formula Year t and will take the values in Table 1 below:

### Table 1: Values for the real additional cost inflation index

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>( \text{ExIND}_t )</td>
<td>1.015</td>
<td>1.018</td>
<td>1.022</td>
<td>1.026</td>
<td>1.029</td>
<td>1.033</td>
<td>1.037</td>
<td>1.041</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 – 10 December 2019
Part D: Additional Totex allowances in respect of the release of Funded Incremental Obligated Exit Capacity (TotExRevD_{i,j,y})

5G.23 The Authority will determine a value for TotExRevD_{i,j,y} by 30 September or as soon as reasonably practicable thereafter in Formula Year t-1 where an additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity will apply for Formula Year t and will bring forward a proposal to modify this condition to implement that determination by modifying Table 5 as soon as is reasonably practicable.

5G.24 For the purpose of paragraph 5G.23 of this condition, the additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity at NTS Exit Point i in the south east quadrant for an amount of Incremental Obligated Exit Capacity of j GWh/d which was first contractually delivered within Formula Year y is calculated in accordance with the following formula:

\[
\text{ExCIIR}^{\text{sequad}}_{y} = \sum_{\text{all } i \text{ in } \text{sequad}} \text{ExCIIRS}_{i,y}
\]

where:

sequad means NTS Exit Points in the south east quadrant and which are set out below:

Table 2: NTS Exit Points in the South East quadrant

<table>
<thead>
<tr>
<th>NTS Exit Points i in the South East quadrant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horndon</td>
</tr>
<tr>
<td>Barking (Horndon)</td>
</tr>
<tr>
<td>Stanford Le Hope (Coryton)</td>
</tr>
<tr>
<td>Coryton 2 (Thames Haven) Power</td>
</tr>
<tr>
<td>Shorne</td>
</tr>
<tr>
<td>Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)</td>
</tr>
<tr>
<td>Grain Power Station</td>
</tr>
<tr>
<td>Tilbury</td>
</tr>
</tbody>
</table>

ExCIIRS\text{,i,y} means the additional Totex allowance calculated in accordance with the relevant formula specified in Table 3 below:

Table 3: Calculation of relevant additional Totex allowance for NTS Exit Points in the south east quadrant

<table>
<thead>
<tr>
<th>where: j\leq50 \text{ GWh/d}</th>
<th>ExCIIRS\text{,i,y} will be calculated using the formula specified in paragraph 5G.26 of this condition “Formula A”.</th>
</tr>
</thead>
</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 – 10 December 2019
where:
50 GWh/d < j ≤ 100 GWh/d

\[ \text{ExCIIRS}_{i,y} \text{ will be calculated using the formula specified in paragraph 5G.26 of this condition “Formula B”}. \]

where:
100 GWh/d < j ≤ 150 GWh/d

\[ \text{ExCIIRS}_{i,y} \text{ will be calculated using the formula specified in paragraph 5G.26 of this condition “Formula C”}. \]

where:
150 GWh/d < j ≤ 200 GWh/d

\[ \text{ExCIIRS}_{i,y} \text{ will be calculated using the formula specified in paragraph 5G.26 of this condition “Formula D”}. \]

where:
j > 200 GWh/d

\[ \text{ExCIIRS}_{i,y} \text{ will be calculated using the formula specified in paragraph 5G.26 of this condition “Formula E”}. \]

5G.25 For the purposes of Table 3, \( j \) means the volume (in units of GWh/d) of Funded Incremental Obligated Exit Capacity at NTS Exit Point \( i \) in the south east quadrant which was contractually delivered within Formula Year \( y \).

5G.26 For the purposes of paragraph 5G.24 of this condition:

i) Formula A will be:

\[ \text{ExCIIRS}_{i,y} = j \times \text{IREx}1_i \]

where:

\[ \text{IREx}1_i = \text{IREx}z_i, \text{ where } z=1. \]

ii) Formula B will be:

\[ \text{ExCIIRS}_{i,y} = (50 \times \text{IREx}1_i) + (j - 50) \times \text{IREx}2_i \]

where:

\[ \text{IREx}1_i = \text{IREx}z_i, \text{ where } z=1; \text{ and } \]

\[ \text{IREx}2_i = \text{IREx}z_i, \text{ where } z=2. \]

iii) Formula C will be:

\[ \text{ExCIIRS}_{i,y} = (50 \times \text{IREx}1_i) + (50 \times \text{IREx}2_i) + (j - 100) \times \text{IREx}3_i \]

where:

\[ \text{IREx}1_i = \text{IREx}z_i, \text{ where } z=1; \]

\[ \text{IREx}2_i = \text{IREx}z_i, \text{ where } z=2; \text{ and } \]

\[ \text{IREx}3_i = \text{IREx}z_i, \text{ where } z=3. \]

iv) Formula D will be:

\[ \text{ExCIIRS}_{i,y} = (50 \times \text{IREx}1_i) + (50 \times \text{IREx}2_i) + (50 \times \text{IREx}3_i) + (j - 150) \times \text{IREx}4_i \]

where:

\[ \text{IREx}1_i = \text{IREx}z_i, \text{ where } z=1; \]

\[ \text{IREx}2_i = \text{IREx}z_i, \text{ where } z=2; \]

\[ \text{IREx}3_i = \text{IREx}z_i, \text{ where } z=3; \text{ and } \]

\[ \text{IREx}4_i = \text{IREx}z_i, \text{ where } z=4. \]

v) Formula E will be:

\[ \text{ExCIIRS}_{i,y} = (50 \times \text{IREx}1_i) + (50 \times \text{IREx}2_i) + (50 \times \text{IREx}3_i) + (50 \times \text{IREx}4_i) + (j - 200) \times \text{IREx}5_i \]

where:
IREx1 _i = IRExz _i , where z=1;
IREx2 _i = IRExz _i , where z=2;
IREx3 _i = IRExz _i , where z=3;
IREx4 _i = IRExz _i , where z=4; and
IREx5 _i = IRExz _i , where z=5.

In each of the formulae A to E above IRExz _i is the additional Totex allowance for Funded Incremental Obligated Exit Capacity at NTS Exit Point i in the south east quadrant and will take the values in accordance with Table 4 below:

Table 4: Calculation of relevant additional Totex allowance for NTS Exit Points in the south east quadrant

<table>
<thead>
<tr>
<th>Increment</th>
<th>50 GWh/d</th>
<th>100 GWh/d</th>
<th>150 GWh/d</th>
<th>200 GWh/d</th>
<th>250 GWh/d</th>
</tr>
</thead>
<tbody>
<tr>
<td>z =</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>£m/GWh</td>
<td>2.899</td>
<td>2.826</td>
<td>3.089</td>
<td>3.453</td>
<td>3.573</td>
</tr>
<tr>
<td>(2009/10 prices)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5G.27 For the purpose of paragraph 5G.23 of this condition, the additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity at NTS Exit Point i which are storage sites connected to the Bacton terminal of j GWh/d which was first contractually delivered within Formula Year y is calculated in accordance with the following formula:

ExCIIR_storage^y = \sum_{\text{all storage sites}} j \times STPROJ_i

where:

STPROJ_i is the revenue allowance at NTS Exit Points which are storage sites connected to the Bacton terminal which will be determined in accordance with Table 5 below in respect of the Funded Incremental Obligated Exit Capacity required for each relevant project(s):

Table 5: Calculation of relevant additional Totex allowance for NTS exit points at storage sites

<table>
<thead>
<tr>
<th>Incremental Exit Capacity j (GWh/d)</th>
<th>STPROJ_i (£m/GWh) (2009/10 prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>j = 353</td>
<td>1.423</td>
</tr>
<tr>
<td>j = 657</td>
<td>1.077</td>
</tr>
<tr>
<td>j = 1010</td>
<td>1.107</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 – 10 December 2019
Table 6: Directed values for additional Totex allowance for Funded Incremental Obligated Exit Capacity (TotExRevD_{i,j,y}) (£m 2009/10 prices)

<table>
<thead>
<tr>
<th>Exit point i</th>
<th>Date directed</th>
<th>Date of contractual delivery of capacity (within Formula Year y)</th>
<th>Volume (in units of GWh per Day) of capacity delivered (j)</th>
<th>TotExRevD_{i,j,y} (£m 2009/10 prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exit point A</td>
<td>nn/nn/nn</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exit point B</td>
<td>nn/nn/nn</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Part F: Procedure for direction of revised ExCl_{i} values by the Authority

5G.28 Any value for ExCl_{i} applying for Formula Year t determined by the Authority in accordance with Part C of this condition will be directed by the Authority by 30 November or as soon as reasonably practicable thereafter in each Formula Year t-1.

5G.29 The values directed by the Authority under paragraph 5G.28 will be deemed to be set out in Table 7 below:

Table 7: Directed values for additional Totex allowance for Funded Incremental Obligated Exit Capacity (ExCl_{i}) (£m 2009/10 prices)

<table>
<thead>
<tr>
<th>Value for ExCl_{i} (£m) (2009/10 prices)</th>
<th>Formula Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exit point A</td>
<td>nn/nn/nn</td>
</tr>
<tr>
<td>Exit point B</td>
<td>nn/nn/nn</td>
</tr>
<tr>
<td>Total value of ExRD_{i}</td>
<td></td>
</tr>
</tbody>
</table>

Part F: Non-incremental Obligated Exit Capacity

5G.30 Non-incremental Obligated Exit Capacity will be the sum of Licence Baseline Exit Capacity as set out in Table 8 below adjusted for Exit Capacity Substitution and Legacy TO Exit Capacity from the date that the revenue entitlement in accordance with Special Condition 3A (Restriction of NTS System Operation Revenue) has ceased.

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 – 10 December 2019
5G.31

(A) Table 8 below sets out Licence Baseline Exit Capacity and zero Licence Baseline Exit Capacity for Days until 10 December 2019,

(b) The Zero Licence Baseline Exit Capacity Table sets out a list of any Zero Licence Baseline Capacity Exit Points created for Days from 10 December 2019.

(B) A new Zero Licence Baseline Capacity Exit Point shall be created when the Licensee records the existence of the new Zero Licence Baseline Capacity Exit Point in the Zero Licence Baseline Exit Capacity Table.

(C) The Licensee shall promptly inform the Authority of the creation of any new Zero Licence Baseline Capacity Exit Point.

(D) The following shall apply in relation to the tables in (A) above:

(a) Any new Zero Licence Baseline Capacity Exit Point shall not be recorded in Table 8 below,

(b) A Zero Licence Baseline Capacity Exit Point shall be removed from the Zero Licence Baseline Exit Capacity Table if Licence Baseline Exit Capacity is created at the NTS Exit Point by an amendment to this licence,

(c) Any NTS Exit Point at which there is zero Licence Baseline Exit Capacity listed in Table 8 below before 10 December 2019, shall continue to exist in Table 8 below, and shall not be transferred to the Zero Licence Baseline Exit Capacity Table because of the creation of the Zero Licence Baseline Exit Capacity Table.
Table 8: Licence Baseline Exit Capacity
<table>
<thead>
<tr>
<th>Offtake Point</th>
<th>Type of Offtake</th>
<th>Enduring flat baseline (GWh/d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bacton</td>
<td>GDN (EA)</td>
<td>3.66</td>
</tr>
<tr>
<td>Brisley</td>
<td>GDN (EA)</td>
<td>3.11</td>
</tr>
<tr>
<td>Cambridge</td>
<td>GDN (EA)</td>
<td>0</td>
</tr>
<tr>
<td>Great Wilbraham</td>
<td>GDN (EA)</td>
<td>35.59</td>
</tr>
<tr>
<td>Matching Green</td>
<td>GDN (EA)</td>
<td>92.31</td>
</tr>
<tr>
<td>Peterborough Eye (Tee)</td>
<td>GDN (EA)</td>
<td>25.45</td>
</tr>
<tr>
<td>Roudham Heath</td>
<td>GDN (EA)</td>
<td>25.46</td>
</tr>
<tr>
<td>Royston</td>
<td>GDN (EA)</td>
<td>2.70</td>
</tr>
<tr>
<td>Whitwell</td>
<td>GDN (EA)</td>
<td>161.87</td>
</tr>
<tr>
<td>West Winch</td>
<td>GDN (EA)</td>
<td>12.26</td>
</tr>
<tr>
<td>Yelverton</td>
<td>GDN (EA)</td>
<td>64.61</td>
</tr>
<tr>
<td>Alrewas (EM)</td>
<td>GDN (EM)</td>
<td>139.87</td>
</tr>
<tr>
<td>Blaby</td>
<td>GDN (EM)</td>
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## Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
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### Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
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<tr>
<th>Location</th>
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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
5G.32 Exit Capacity that has been provided by Exit Capacity Substitution and the applicable date from which the Exit Capacity Substitution applies for the purpose of calculating Non-incremental Obligated Exit Capacity is set out in Table 9.

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<tr>
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<tr>
<td>Holford</td>
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<td>Hole House Max Refill</td>
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<td>Saltfleetby Storage (Thedlethorpe)</td>
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<td>Stublach (Cheshire)</td>
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<tr>
<td>Glenmavis Max Refill</td>
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<tr>
<td>Barton Stacey Max Refill (Humbly Grove)</td>
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<td>Dynevor Max Refill</td>
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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
<table>
<thead>
<tr>
<th>NTS Exit Point</th>
<th>Date from which Exit Capacity Substitution applies</th>
<th>Exit Capacity Substitution (GWh/d)</th>
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<td>Netherhowcleugh</td>
<td>October 2014</td>
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<tr>
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<td>Broxburn</td>
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<tr>
<td>Langholm</td>
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<td>Tatsfield</td>
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5G.33 Legacy TO Exit Capacity and the dates from which it must be offered for sale as Non-incremental Obligated Exit Capacity is set out in Table 10.

**Table 10: Legacy TO Exit Capacity**

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<th>Legacy TO Exit Capacity (GWh/d)</th>
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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019

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<thead>
<tr>
<th>Location</th>
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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
### Special Conditions to National Grid Gas Plc's (NTS) Gas Transporter Licence – 10 December 2019

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<table>
<thead>
<tr>
<th>Location</th>
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5G.34 The Licensee shall, unless otherwise directed by the Authority, conduct the consultation required by Article 18.4 of Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 in relation to any Zero Licence Baseline Capacity Exit Point and inform the Authority of the responses to this consultation. Within 14 days of the close of its consultation, the Licensee shall submit to the Authority:

(a) a report on the outcome of the consultation; and

(b) any written representations that were received from interested parties during the consultation process and have not been withdrawn.
Chapter 6: Annual Iteration Process – Adjustments to the NTS System Operation Revenue Restriction
Special Condition 6A. Legacy price control adjustments – NTS System Operator

Introduction

6A.1 The purpose of this condition is to determine any appropriate revisions to the PCFM Variable Values for Formula Year 2013/14 relating to the items specified in Part A of this condition for use in the Annual Iteration Process for the GT1 Price Control Financial Model as described in Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model).

6A.2 The application of the mechanisms set out in this condition mean that as a consequence of the Annual Iteration Process, the value of the term SOMOD as calculated for Formula Year t for the purposes of Special Condition 3A (Restriction of NTS System Operation Revenue) will result in an appropriate adjustment of the Licensee’s Base NTS System Operation Revenue in a manner that reflects the revenue allowance and, as applicable, SO Regulatory Asset Value (SO RAV) balance adjustments attributable to the Licensee in respect of:

(a) activities carried out by the Licensee;
(b) incentivised performance by the Licensee; and/or
(c) costs or expenditure incurred by the Licensee

in the Legacy Period, in relation to one or more of the schemes and mechanisms referred to in Parts A and B of this condition.

6A.3 This condition should be read and construed in conjunction with Special Conditions 4A (Governance of GT1 Price Control Financial Instruments) and Special Condition 4B.

Part A: Determination and direction of revised PCFM Variable Values relating to SO legacy price control adjustments for Formula Year 2013/14

6A.4 This Part provides for the determination and direction of revised PCFM Variable Values for:

(a) SO legacy price control revenue allowance adjustments (SOLAR values); and
(b) SO legacy price control adjustments to SO RAV balance additions (SOLRAV values),

for Formula Year 2013/14.

6A.5 The SOLAR and SOLRAV values for each Formula Year are zero as at 1 April 2013.

6A.6 There are no provisions to revise SOLAR and SOLRAV values for Formula Years other than Formula Year 2013/14 because, under the Annual Iteration Process, all of the calculations necessary to achieve the result referred to in paragraphs 6A.2 are made using SOLAR and SOLRAV values for Formula Year 2013/14.

6A.7 Subject to paragraph 6A.8 of this condition, the Authority will, by 30 November in each Formula Year t-1:
(a) determine whether any SOLAR or SOLRAV values for Formula Year 2013-14 should be revised in relation to one or more of the schemes and mechanisms referred to in Parts A and B of this condition; and

(b) issue a direction in accordance with the provisions of Part C of this condition specifying any revised values that have been determined.

6A.8 The first Formula Year during which the Authority will make a determination pursuant to paragraph 6A.7 is Formula Year 2013/14 for the Annual Iteration Process that will take place by 30 November 2013.

6A.9 Revisions to the SOLAR value for Formula Year 2013/14 will be determined in accordance with the following formula:

\[ \text{SOLAR} = \text{SOCAR} + \text{SOOIR} + \text{SOSAR} \]

where:

- **SOCAR** means the revenue allowance adjustment in respect of the SO Capex Rolling Incentive in the Legacy Period, determined in accordance with Part B of this condition.
- **SOOIR** means the revenue allowance adjustment in respect of Legacy Period System Operator internal costs incentive scheme adjustments, determined in accordance with Part B of this condition.
- **SOSAR** means the revenue allowance adjustment in respect of adjustments for Logged Up Costs in the Legacy Period, determined in accordance with Part B of this condition.

6A.10 Revisions to the SOLRAV value for Formula Year 2013/14 onwards will be determined in accordance with the following formula:

\[ \text{SOLRAV} = \text{SOCRAV} + \text{SOSRAV} \]

where:

- **SOCRAV** means the adjustment to the Licensee’s SO RAV balance additions in respect of the SO Capex Rolling Incentive in the Legacy Period, determined in accordance with Part B of this condition.
- **SOSRAV** means the adjustment to the Licensee’s SO RAV balance additions in respect of adjustments for Logged Up Costs, determined in accordance with Part B of this condition.
6A.11 The effect of using revised SOLAR and SOLRAV values for Formula Year 2013/14 in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term SOMOD for Formula Year t and, for the avoidance of doubt will not, in respect of any particular Annual Iteration Process, have any retrospective effect on a previously directed value of the term SOMOD.

Part B: Determination of component term values for the formulae set out in Part A

6A.12 This Part provides for the determination of component term values for the formulae set out in Part A, used to determine revisions to SOLAR and SOLRAV values for Formula Year 2013/14.

6A.13 Subject to paragraph 6A.8, the Authority will, by 30 November in each Formula Year t-1, determine the value of the following component terms:

(a) SOCAR, SOOIR and SOCRAV, in accordance with the methodology set out in part 2 of chapter 11 of the GT1 Price Control Financial Handbook; and

(b) SOSAR and SOSRAV, in accordance with the methodology set out in part 3 of chapter 11 of the GT1 Price Control Financial Handbook.

6A.14 The first Formula Year in which the Authority will make determinations pursuant to paragraph 6A.13 is Formula Year 2013/14 for the purpose of determining any revisions to SOLAR and SOLRAV values for the Annual Iteration Process that will take place by 30 November 2013.

Part C: Procedure to be followed for direction of revised PCFM Variable Values relating to SO legacy price control adjustments by the Authority

6A.15 Subject to paragraph 6A.8, revised SOLAR and SOLRAV values for Formula Year 2013/14, determined by the Authority in accordance with the provisions of this condition, will be directed by the Authority by 30 November in each Formula Year t-1.

6A.16 Any direction issued under paragraph 6A.15 will include a statement of the component term values determined under Part B.

6A.17 Before issuing any directions under paragraph 6A.15, the Authority will give notice to the Licensee of all of the values that it proposes to direct.

6A.18 The notice referred to in paragraph 6A.17 will:

(a) state that any revised SOLAR and SOLRAV values for Formula Year 2013/14 have been determined in accordance with Parts A and B of this condition; and

(b) specify the period (which will not be less than 14 days from the date of the notice) within which the Licensee may make any representations concerning the determination of any revised SOLAR or SOLRAV values.

6A.19 The Authority will have due regard to any representations duly received under paragraph 6A.18, and give reasons for its decisions in relation to them.
6A.20 If, subject to paragraph 6A.8, for any reason in any Formula Year t-1, the Authority does not make a required direction in relation to revised SOLAR and SOLRAV values by 30 November, the Authority will direct the values concerned as soon as reasonably practicable thereafter, consistent with the purpose of paragraph 4B.12 of Special Condition 4B and in any case, before directing a value for SOMOD,_t under that paragraph.

**Part D: Interpretation**

6A.21 For the purposes of this condition, SO Capex Rolling Incentive means the mechanism giving rise to the internal capital expenditure incentive revenue adjustment term, \( ICIRC_t \) in Special Condition C8G (NTS System Operator internal incentives, costs and revenues) of this licence in the form it was in on 31 March 2013.

6A.22 The expression used in paragraph 6A.22 is to be read and given effect subject to any further explanation or elaboration within the GT1 Price Control Financial Methodologies that may be applicable to it.
Special Condition 6B. Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – NTS System Operator

Introduction

6B.1 The purpose of this condition is to establish the basis for determining PCFM Variable Values for the Licensee’s actual SO Totex expenditure in relation to the Totex Incentive Mechanism, that are to be used for the purposes of the Annual Iteration Process for the GT1 Price Control Financial Model in accordance with Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model).

6B.2 The application of the mechanisms set out in this condition ensures that, as a consequence of the Annual Iteration Process:

(a) the value of the term SOMOD as calculated for Formula Year t for the purposes of Special Condition 3A (Restriction of NTS System Operation Revenue) will result in an adjustment of the Licensee’s Base NTS System Operation Revenue; and

(b) appropriate adjustments will be made to the Licensee’s SO Regulatory Asset Value (SO RAV) balance that reflect the Licensee’s performance under the Totex Incentive Mechanism, in accordance with the methodology set out in Chapter 6 of the GT1 Price Control Financial Handbook.

6B.3 This condition should be read and construed in conjunction with Special Conditions 4A (Governance of GT1 Price Control Financial Instruments) and Special Condition 4B.

Part A: SO Totex Incentive Mechanism applicable to the Licensee

6B.4 The SO Totex Incentive Mechanism provides for the Licensee to bear an appropriate share of any over spend, or retain an appropriate share of any under spend, represented by a difference, in respect of a given Formula Year, between:

(a) the Licensee’s allowed SO Totex expenditure; and

(b) the Licensee’s actual SO Totex expenditure.

6B.5 The ‘appropriate share’ referred to in paragraph 6B.4 is represented by the Totex Incentive Strength Rate (set down against the Licensee’s name in the table at Appendix 1 to this condition).

6B.6 SO Totex Incentive Mechanism adjustments are applied under the Annual Iteration Process for the GT1 Price Control Financial Model. The SO Totex Capitalisation Rate set down against the Licensee’s name in the table at Appendix 1 to this condition is a fixed value, contained in the PCFM, that is used in the calculation of SO Totex Incentive Mechanism adjustments.

6B.7 This condition provides for the determination and direction of revisions to the two PCFM Variable Values that relate to the Licensee’s actual SO Totex expenditure. PCFM Variable Values which relate to the Licensee’s allowed SO Totex expenditure are
Part B: Process for determining PCFM Variable Values for the SO Totex Incentive Mechanism

6B.8 This Part provides for the determination and direction of revised PCFM Variable Values for:
(a) actual controllable opex expenditure (SOACO values); and
(b) actual non-operational capex expenditure (SOANC values).

6B.9 Subject to paragraph 6B.10, the Authority will, by 30 November in each Formula Year t-1:
(a) determine revised SOACO and SOANC values for Formula Year t-2; and
(b) issue a direction in accordance with the provisions of Part C of this condition specifying the revised values that have been determined and the Formula Years to which they relate,
in each case in accordance with the methodology contained in chapter 6 of the GT1 Price Control Financial Handbook.

6B.10 The first Formula Year in which the Authority will make a determination pursuant to paragraph 6B.9 is Formula Year 2014/15.

6B.11 The Authority may also direct revisions to SOACO and SOANC values for Formula Years earlier than Formula Year t-2, where that is necessary to take into account any restatement of, or correction to, Price Control Review Information submitted by the Licensee, under any provision of the licence. Any directions under this paragraph will be made in accordance with the provisions of Part C of this condition.

6B.12 Where the Authority directs any revised SOACO or SOANC values for Formula Years earlier than Formula Year t-2, the effect of using those revised values in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term SOMOD for Formula Year t and, for the avoidance of doubt will not have any retrospective effect on a previously directed value of the term SOMOD.

Part C: Procedure to be followed for direction of revised PCFM Variable Values relating to the Licensee’s actual SO Totex expenditure by the Authority

6B.13 Subject to paragraph 6B.9, revised SOACO and SOANC values determined by the Authority in accordance with the provisions of this condition will be directed by the Authority by 30 November in each Formula Year t-1.

6B.14 Before issuing any directions under paragraph 6B.13 the Authority will give notice to the Licensee of all of the revised values that it proposes to direct.

6B.15 The notice referred to in paragraph 6B.14 will:
(a) state that any revised SOACO or SOANC values have been determined in accordance with Part B of this condition; and
(b) specify the period (which will not be less than 14 days from the date of the notice) within which the Licensee may make any representations concerning the determination of any revised SOACO or SOANC values.

6B.16 The Authority will have due regard to any representations duly received under paragraph 6B.15, and give reasons for its decisions in relation to them.

6B.17 If, for any reason in any Formula Year t-1, the Authority does not make a direction in relation to revised SOACO and SOANC values by 30 November, the Authority will direct the values concerned as soon as reasonably practicable thereafter, consistent with the purpose of paragraph 4B.12 of Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model), and in any case, before directing a value for SOMOD, under that paragraph.
APPENDIX 1: Totex Incentive Strength and SO Totex Capitalisation Rates
(see Part A of this condition)

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<tr>
<th>Licensee</th>
<th>Totex Incentive Strength Rate (%)</th>
<th>SO Totex Capitalisation Rate (%)</th>
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Special Condition 6C. Specified financial adjustments – NTS System Operator

Introduction

6C.1 The purpose of this condition is to determine:

(a) any appropriate revisions to the PCFM Variable Values relating to the items specified in Parts A to C of this condition; and

(b) the Formula Years to which the revised values referred to in sub-paragraph (a) relate,


6C.2 The application of the mechanisms set out in this condition means that as a consequence of the Annual Iteration Process, the value of the term SOMOD as calculated for Formula Year t for the purposes of Special Condition 3A (Restriction of NTS System Operation Revenue) will result in an appropriate adjustment to the Licensee’s Base NTS System Operation Revenue in a manner that reflects the Licensee’s:

(a) revenue allowance for Pension Scheme Established Deficits, Pension Scheme Administration and the Pension Protection Fund levy;

(b) revenue allowances for tax liabilities; and

(c) allowed SO percentage cost of corporate debt,

determined under the methodologies set out in chapters 3, 4 and 5 of the GT1 Price Control Financial Handbook respectively.

6C.3 This condition should be read and construed in conjunction with Special Conditions 4A (Governance of GT1 Price Control Financial Instruments) and Special Condition 4B.

Part A: SO revenue allowances for Pension Scheme Established Deficits, Pension Scheme Administration and the Pension Protection Fund levy

6C.4 This Part provides for the determination and direction of revised PCFM Variable Values for:

(a) Pension Scheme Established Deficit SO revenue allowances (SOEDE values); and

(b) Pension Scheme Administration and Pension Protection Fund levy SO revenue allowances (SOAPFE values).

6C.5 Subject to paragraph 6C.6, the Authority will, by 30 November in each Formula Year t-1 determine whether any SOEDE values should be revised as a result of:

(a) a valuation of each pension scheme sponsored by the Licensee;

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 – 10 December 2019
(b) a review of the valuations referred to in sub-paragraph (a) and of the reasonableness of the Licensee’s Pension Scheme Established Deficit funding levels; and

(c) a review of the level of payments actually made by the Licensee to its pension scheme,

in each case in accordance with the methodology contained in chapter 3 of the GT1 Price Control Financial Handbook.

6C.6 The first Formula Year in which the Authority will make a determination pursuant to paragraph 6C.5 is Formula Year 2014/15.

6C.7 Subject to paragraph 6C.8, the Authority will, by 30 November in each Formula Year t-1 determine whether any SOAPFE values should be revised as a result of a review of the Licensee’s reported levels of:

(a) Pension Scheme Administration costs; and/or

(b) Pension Protection Fund levy costs,

in each case, in accordance with the methodology contained in chapter 3 of the GT1 Price Control Financial Handbook.

6C.8 The first Formula Year in which the Authority will make a determination pursuant to paragraph 6C.7 is Formula Year 2014/15.

6C.9 If the Authority determines under paragraph 6C.5 or 6C.7 that, in accordance with the methodologies contained in chapter 3 of the GT1 Price Control Financial Handbook, any SOEDE values or SOAPFE values are to be revised, it will by 30 November in the same Formula Year t-1 issue a direction in accordance with the provisions of Part D of this condition specifying the revised SOEDE values and SOAPFE values that have been determined and the formula years to which they relate.

6C.10 Where the Authority directs any revised SOEDE values or SOAPFE values for formula years earlier than Formula Year t, the effect of using those revised values in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term SOMOD for Formula Year t and, for the avoidance of doubt will not have any retrospective effect on a previously directed value of the term SOMOD.

Part B: SO tax liability allowances

6C.11 This Part provides for the determination and direction of revised PCFM Variable Values for:

(a) SO tax liability revenue allowance adjustments in respect of tax trigger events (SOTTE values); and

(b) SO tax liability revenue allowance adjustments in respect of the Licensee’s gearing levels and corporate debt interest costs (SOTGIE values).

6C.12 The SOTTE values and SOTGIE values for each Formula Year are zero as at 1 April 2013.

6C.13 Subject to paragraph 6C.14, the Authority will, by 30 November in each Formula Year t-1 determine whether any SOTTE values should be revised as a result of one or more tax
trigger events in accordance with the methodology contained in chapter 4 of the GT1 Price Control Financial Handbook.

6C.14 The first Formula Year in which the Authority will make a determination of the type referred to in paragraph 6C.13 is Formula Year 2013/14.

6C.15 Subject to paragraph 6C.16, the Authority will, by 30 November in each Formula Year t-1 determine whether any SOTGIE values should be revised as a result of a review of:

(a) the Licensee’s actual level of gearing; and

(b) the level of debt interest charges actually incurred by the Licensee,

in each case in accordance with the methodology contained in chapter 4 of the GT1 Price Control Financial Handbook.

6C.16 The first Formula Year in which the Authority will make a determination pursuant to paragraph 6C.15 is Formula Year 2014/15.

6C.17 If the Authority determines under paragraph 6C.13 or 6C.15 that, in accordance with the methodologies contained in chapter 4 of the GT1 Price Control Financial Handbook, any SOTTE values or SOTGIE values are to be revised, it will by 30 November in the same Formula Year t-1 issue a direction in accordance with the provisions of Part D of this condition specifying the revised SOTTE values and SOTGIE values that have been determined and the Formula Years to which they relate.

6C.18 Where the Authority directs any revised SOTTE values or SOTGIE values for Formula Years earlier than Formula Year t, the effect of using those revised values in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term SOMOD for Formula Year t and, for the avoidance of doubt will not have any retrospective effect on a previously directed value of the term SOMOD.

Part C: Allowed SO percentage cost of corporate debt

6C.19 This Part provides for the determination and direction of revised PCFM Variable Values for the Licensee’s allowed SO percentage cost of corporate debt (SOCDE values).

6C.20 Subject to paragraph 6C.22, the Authority will by 30 November in each Formula Year t-1:

(a) determine a revised SOCDE value for Formula Year t and each subsequent Formula Year in accordance with the methodology contained in chapter 5 of the GT1 Price Control Financial Handbook; and

(b) issue a direction in accordance with the provisions of Part D of this condition specifying the revised SOCDE values that have been determined and the Formula Years to which they relate.

6C.21 The Authority may also revise the SOCDE value for a Formula Year earlier than Formula Year t where necessary to take into account data updates referred to in the methodology contained in chapter 5 of the GT1 Price Control Financial Handbook.

6C.22 The first Formula Year in which the Authority will make a determination pursuant to in paragraph 6C.20 is Formula Year 2013/14..
6C.23 Where the Authority directs any revised SOCDE values for Formula Years earlier than Formula Year t, the effect of using those revised values in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term SOMOD for Formula Year t and, for the avoidance of doubt will not have any retrospective effect on a previously directed value of the term SOMOD.

**Part D: Procedure to be followed for direction of revised SO PCFM Variable Values relating to specified financial adjustments by the Authority**

6C.24 Subject to, and in accordance with, the provisions of Parts A, B and C of this condition, revised SOEDE, SOAPFE, SOTTE, SOTGIE and SOCDE values determined by the Authority in accordance with the provisions of this condition will be directed by the Authority by 30 November in each Formula Year t-1.

6C.25 Before issuing any directions under paragraph 6C.24, the Authority will give notice to the Licensee of all of the revised values that it proposes to direct.

6C.26 The notice referred to in paragraph 6C.25 will:

(a) state that any revised SOEDE and SOAPFE values have been determined in accordance with Part A of this condition;

(b) state that any revised SOTTE and SOTGIE values have been determined in accordance with Part B of this condition;

(c) state that any revised SOCDE values have been determined in accordance with Part C of this condition; and

(d) specify the period (which will not be less than 14 days from the date of the notice) within which the Licensee may make any representations concerning the determination of any revised SOEDE, SOAPFE, SOTTE, SOTGIE or SOCDE values.

6C.27 The Authority will have due regard to any representations duly received under paragraph 6C.26, and give reasons for its decisions in relation to them.

6C.28 If, for any reason in any Formula Year t-1, the Authority does not make a direction in relation to revised SOEDE, SOAPFE, SOTTE, SOTGIE and SOCDE values by 30 November, the Authority will direct the values concerned as soon as reasonably practicable thereafter, consistent with the purpose of paragraph 4B.12 of Special Condition 4B and in any case, before directing a value for SOMOD, under that paragraph.

**Part E: Interpretation**

6C.29 Defined terms used in this condition and in Special Condition 1A (Definitions) are to be read and given effect subject to any further clarification that might be set out in the GT1 Price Control Financial Handbook in relation to such terms.
Special Condition 6D. Arrangements for the recovery of SO uncertain costs

Introduction

6D.1 The purpose of this condition is as follows:

(a) to allow the Licensee or the Authority to propose, and the Authority to determine, adjustments to the Licensee's levels of allowed expenditure ("relevant adjustments") in relation to Enhanced Security Costs ("an uncertain cost category");

(b) to allow the Authority to review Agency Costs (as set out in Part B of this condition), and determine relevant adjustments to the Licensee's level of allowed expenditure in relation to Agency Costs; and

(c) to determine any appropriate revisions to PCFM Variable Values necessary to implement relevant adjustments and to determine the Formula Years to which those revised PCFM Variable Values relate for use in the Annual Iteration Process for the GT1 Price Control Financial Model, as described in Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model).

6D.2 The application of the mechanisms set out in this condition ensures that, as a consequence of the Annual Iteration Process, the value of the term SOMODₜ as calculated for Formula Year t for the purposes of Part D of Special Condition 3A (Restriction of NTS System Operation Revenue) will result in an appropriate adjustment to the Licensee’s Base NTS System Operation Revenue in a manner that takes account of:

(a) allowed expenditure levels in relation to the uncertain cost category specified in paragraph 6D.1 of this condition, determined under Part A of this condition; and

(b) allowed expenditure levels in relation to Agency Costs, determined under Part B of this condition

for the purposes of the Totex Incentive Mechanism Adjustment, in accordance with the methodology set out in chapters 6 and 7 of the GT1 Price Control Financial Handbook.

6D.3 This condition should be read and construed in conjunction with Special Condition 4A (Governance of GT1 Price Control Financial Instruments) and Special Condition 4B.

Part A: Proposal and determination of relevant adjustments

6D.4 This Part provides for:

(a) the proposal of relevant adjustments by the Licensee or by the Authority;

(b) the determination of relevant adjustments by the Authority; and

(c) the deeming of relevant adjustments in certain circumstances.
Proposal of relevant adjustments

6D.5 Subject to paragraph 6D.8 of this condition, the Licensee may by notice to the Authority, and the Authority may by notice to the Licensee, propose a relevant adjustment in relation to the uncertain cost category for any Formula Year or Formula Years from 2013/14 to 2020/21, provided that the proposed change to allowed expenditure:

(a) is based on information about actual or forecast levels of efficient expenditure requirements for the uncertain cost category that was not available when the Licensee’s SO Opening Base Revenue Allowance was derived;

(b) takes account of any relevant adjustments previously determined under this condition;

(c) in aggregate constitutes a material amount within the meaning of paragraph 6D.6 of this condition;

(d) relates to costs incurred or expected to be incurred after 1 April 2013; and

(e) constitutes an adjustment to allowed expenditure which cannot be made under the provisions of any other Special Condition of this licence.

6D.6 A material amount is an amount of change to allowed expenditure which, when multiplied by the Licensee’s Totex Incentive Strength Rate set out in Appendix 1 of this condition, exceeds or is likely to exceed one per cent of the Licensee’s materiality threshold amount as set out in Appendix 2 of this condition.

6D.7 A proposal made under paragraph 6D.5 of this condition must include statements setting out:

(a) the uncertain cost category to which the proposal relates;

(b) the changes to the Licensee’s allowed expenditure levels that are proposed and the Formula Years to which those changes relate; and

(c) the basis of calculation for the changes to the Licensee's allowed expenditure levels referred to in sub-paragraph (b) of this paragraph.

Application windows for relevant adjustment proposals

6D.8 The Licensee and the Authority may only propose relevant adjustments in relation to the uncertain cost category during the following application windows:

(a) the first application window which opens on 1 May 2015 and closes on 31 May 2015; and

(b) the second application window which opens on 1 May 2018 and closes on 31 May 2018.

6D.9 Relevant adjustments relating to the uncertain cost category may be proposed during both the first and second application window provided that each such relevant adjustment proposal complies with the provisions of paragraphs 6D.5 to 6D.7 of this condition.

6D.10 Relevant adjustment proposals relating to the uncertain cost category made outside the application windows set out in paragraph 6D.8 of this condition will not be determined by the Authority under the provisions of this condition.
**Authority's power to determine relevant adjustments**

6D.11 Where a proposal has been duly made under paragraph 6D.5 of this condition, the Authority may, within four months after the close of the relevant application window, determine any relevant adjustments that are to be made to the Licensee's allowed expenditure levels and the Formula Years to which those changes relate, in such manner as it considers appropriate.

6D.12 In determining any relevant adjustment under paragraph 6D.11 of this condition, the Authority will:

(a) consult with the Licensee and other interested parties;
(b) have particular regard to the purposes of this condition; and
(c) take no account of the general financial performance of the Licensee under the price control arrangements set out in the Special Conditions of this licence.

6D.13 A determination under paragraph 6D.11 of this condition may confirm, reject, or vary the proposed relevant adjustment.

6D.14 Without limiting the general effect of paragraph 6D.13 of this condition, a determination by the Authority of a relevant adjustment may specify changes to allowed expenditure levels for the Licensee in relation to the uncertain cost category for any Formula Year from 2013/14 to 2020/21.

6D.15 The Authority will notify the Licensee of any determination made under paragraph 6D.11 of this condition within 14 days of making the determination concerned.

6D.16 If the Authority has not determined a relevant adjustment in relation to a proposal duly made by the Licensee under paragraph 6D.5 of this condition within four months after the close of the relevant application window, and the proposal has not been withdrawn, then the relevant adjustment, insofar as it relates to changes to allowed expenditure levels for the Licensee for Formula Years specified in the proposal, will be deemed to have been made.

**Part B: Review of Agency Costs**

6D.17 The Authority may, at any time after 1 April 2013, review the costs (“the Agency Costs”) incurred by the Licensee in fulfilling its obligations under Standard Special Condition A15 (Agency). The purpose of the review will be to establish the efficient level of Agency Costs in the event that Standard Special Condition A15 (Agency) is amended or deleted.

6D.18 In conducting the review set out in paragraph 6D.17 of this condition, the Authority will consult:

(a) the Licensee; and
(b) such other persons as it considers appropriate.

6D.19 The Licensee must supply the Authority with any information that it reasonably requests for the purposes of its review under paragraph 6D.17 of this condition.

6D.20 Following a review in accordance with paragraph 6D.17 of this condition, the Authority may decide that the efficient level of Agency Costs:
(a) should continue without modification; or
(b) should be modified.

6D.21 Where the Authority decides that the efficient level of Agency Costs should be modified, it may direct that an adjustment be made to the PCFM Variable Values, to reflect the effect of its decision in relation to the allowed expenditure levels that would otherwise continue to be recoverable by the Licensee under the Special Conditions for the purpose of fulfilling its obligations under Standard Special Condition A15 (Agency).

Part C: Determination of revisions to PCFM Variable Values

6D.22 This Part provides for the determination and direction of revised PCFM Variable Values by the Authority for:
(a) Enhanced Security Costs (SOIAECCS values); and
(b) Agency Costs (SOIAECA values).

6D.23 The Authority will determine whether any PCFM Variable Values should be revised for the purposes of implementing any relevant adjustments determined or deemed to have been made under the provisions of Part A and B of this condition.

6D.24 Determinations under paragraph 6D.23 of this condition are to be made in accordance with the methodology contained in chapter 7 of the GT1 Price Control Financial Handbook.

6D.25 Where the Authority directs any revised PCFM Variable Values for Formula Years earlier than Formula Year t, the effect of using those revised values in the Annual Iteration Process for the GT1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term SOMODt for Formula Year t and, for the avoidance of doubt, will not have any retrospective effect on a previously directed value of the term SOMODt.

Part D: Procedure to be followed for the direction of revised PCFM Variable Values relating to the recovery of uncertain costs

6D.26 Subject to paragraph 6D.30 of this condition, revised PCFM Variable Values determined by the Authority in accordance with the provisions of Part C of this condition in relation to the uncertain cost category will be directed by the Authority by:
(a) 30 November 2015 (or as soon as reasonably practicable thereafter), following the first application window; and
(b) 30 November 2018 (or as soon as reasonably practicable thereafter), following the second application window.

6D.27 Subject to paragraph 6D.30 of this condition, revised PCFM Variable Values determined by the Authority in accordance with the provisions of Part C of this condition in relation to Agency Costs will be directed by the Authority by 30 November following the end of a review of Agency Costs.

6D.28 Before issuing any directions under paragraphs 6D.26 and 6D.27 of this condition, the Authority will give notice to the Licensee of all of the revised values that it proposes to 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 – 10 December 2019
6D.29 The notice referred to in paragraph 6D.28 of this condition will:

(a) state that any revised PCFM Variable Values have been determined in accordance with Part C of this condition; and

(b) specify the period (which will not be less than 14 days from the date of the notice) within which the Licensee may make any representations concerning the determination of any revised PCFM Variable Values.

6D.30 The Authority will determine the revised PCFM Variable Values having due regard to any representations duly received under paragraph 6D.29 of this condition, and give reasons for its decisions in relation to them.

6D.31 If, for any reason, the Authority does not make a direction required under paragraphs 6D.26 and 6D.27 of this condition by the date specified in those paragraphs, the Authority will direct the values concerned as soon as is reasonably practicable thereafter, consistent with the purpose of Part B of Special Condition 4B and, in any case, before directing a value for SOMODi under those paragraphs.

Part E: Interpretation

6D.32 Defined terms in this condition and in Special Condition 1A (Definitions) are to be read and given effect subject to any further clarification set out in the relevant Regulatory Instructions and Guidance issued by the Authority under Standard Special Condition A40 (Regulatory Instructions and Guidance).

APPENDIX 1: TOTEX INCENTIVE STRENGTH RATE

(see paragraph 6D.6 of this condition)

<table>
<thead>
<tr>
<th>Licensee</th>
<th>Totex Incentive Strength Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Grid Gas plc</td>
<td>44.36%</td>
</tr>
</tbody>
</table>

APPENDIX 2: MATERIALITY THRESHOLD AMOUNT

(see paragraph 6D.6 of this condition)

<table>
<thead>
<tr>
<th>Licensee</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Grid Gas plc</td>
<td>73.245</td>
</tr>
</tbody>
</table>
Chapter 7: Planning and Development of Pipeline System
Special Condition 7A. Long Term Development Statement

1. The licensee shall comply with a direction given by the Authority to prepare an annual statement, in such form and at such a time as may be specified in the direction giving, with respect to each of the 10 succeeding years beginning with 1 October, such information by way of forecasts of -

   (a) the use likely to be made of the pipe-line system to which this licence relates, of any such facilities as are mentioned in paragraph 6 and of any other pipe-line system directed by the Authority; and

   (b) the likely developments of that system, those facilities and those other pipe-line systems which the licensee expects from time to time to be taken into account in determining the charges for making connections to that system and in pursuance of transportation arrangements,

as it is reasonably practicable for the licensee to provide and which will assist a person who contemplates -

   (i) seeking the connection of a pipe-line of his to the pipe-line system to which this licence relates or another gas transporter’s pipe-line system;

   (ii) entering into transportation arrangements with the licensee; or

   (iii) seeking the connection of the pipe-line system to which this licence relates or another gas transporter’s pipe-line system to premises which would reasonably be expected to be supplied with gas at a rate exceeding 2,196,000 kilowatt hours a year,

in identifying and evaluating the opportunities for doing so.

2. Except in so far as the Authority consents to the licensee not doing so, the licensee shall use its reasonable endeavours to prepare a revision of any statement prepared under paragraph 1 so as to ensure that the information in the statement is up to date.

3. The licensee shall, subject to any requirement to comply with the listing rules (within the meaning of the Financial Services and Markets Act 2000) and with paragraph 4 below -
(a) furnish the Authority with a copy of each statement prepared under paragraph 1 and of each revision of the statement prepared under paragraph 2;

(b) in such form and manner as the Authority may direct, publish such a summary of each statement or, as the case may be, of a revision of the statement as will assist a person in deciding whether to ask for a copy of the version mentioned in sub-paragraph (c); and

(c) prepare a version of each statement or revision which excludes, so far as is practicable, any such matter as is mentioned in paragraph 4 and send a copy thereof to any person who asks for one and makes such payment to the licensee in respect of the cost thereof as it may require not exceeding such amount as the Authority may from time to time approve for the purposes hereof.

4. In complying with the requirements of paragraph 3(b), the licensee shall have regard to the need for excluding, so far as is practicable, any matter which relates to the affairs of a person where the publication of that matter would or might seriously and prejudicially affect his interests.

5. Any question arising under paragraph 4 as to whether the publication of some matter which relates to the affairs of a person would or might seriously and prejudicially affect his interests shall be determined by the Authority.

6. In this condition “transportation arrangements” has the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that it shall also include LNG storage arrangements.

7. If the Authority, having regard, in particular, to any representations made to it by the licensee and other persons as to the extent to which there is competition in relation to the storage of gas in LNG storage facilities and its view on that question, considers it appropriate that this condition should be modified by the omission of paragraph 6, then the paragraph shall be omitted with effect from a date specified in a notice relating thereto published by the Authority for that purpose and the reference to this condition in the definition of “transportation arrangements” in Standard Special Condition A3 (Definitions and Interpretation) shall cease to have effect.
Special Condition 7B. Transmission Planning Code

Introduction

7B.1 The Licensee must at all times, maintain, implement and comply with the provisions of a Transmission Planning Code (“the TPC”), in a form approved by the Authority, that conforms to the requirements set out in Part A below.

Part A: Requirements in respect of TPC scope and contents

7B.2 The first requirement is that the TPC must cover all material technical aspects relating to the planning and development of the pipe-line 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 pipe-line system.

7B.3 The second requirement is that the TPC must include a methodology for determining the physical capability of the pipe-line 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 5F (Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply) and its Exit Capacity release obligations pursuant to Special Condition 5G (Determination of incremental obligated Exit Capacity volumes and the appropriate revenue drivers to apply);

(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 pipe-line system to which this licence relates at each NTS Entry Point and each NTS Exit Point; and

(d) the Statutory Network Security Standard.

7B.4 The third requirement is that the TPC 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 pipe-line system to which this licence relates;

(b) the likely developments it expects in the levels of the supply of gas through and the demand for gas from that pipe-line system; and

(c) the likely operation of the pipe-line system to which the licence relates for any given pattern and/or level of supply of gas or demand for gas.

7B.5 The Licensee must review, and may from time to time revise, the TPC in accordance with the requirements of Part B below.

Part B: Requirements for review and revision of the TPC

7B.6 The Licensee must if so requested by the Authority, and in any event not less than once in every period of two Formula Years, review the TPC in consultation with interested parties likely to be materially affected by the review.

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 – 10 December 2019
7B.7 Within 28 days after completing the review, the Licensee must send to the Authority:

(a) a report (‘the review report’) on the outcome of the review;
(b) a statement of any proposed revisions to the TPC that the Licensee (having regard to the outcome of the review) reasonably considers would lead to the TPC better fulfilling the requirements set out in Part A above; and
(c) any written representations (including any proposals for revising the TPC that have not been accepted by the Licensee) that were received from interested parties during the consultation process and have not been withdrawn.

7B.8 The Licensee may revise the TPC only in accordance with any revisions that are set out in the statements referred to in paragraph 7B.7(b) and only if the Authority has approved such revisions (but this is subject to paragraph 7B.10).

7B.9 If the Authority has not informed the Licensee in writing of its decision in respect of such revisions within 28 days after the date on which the review report was submitted to the Authority, the Authority will be deemed to have approved the revisions and the Licensee may incorporate them into the TPC.

Part C: Derogations

7B.10 The Authority may (after consulting the Licensee) give a direction (‘a derogation’) to the Licensee that relieves it of its obligations to implement or comply with the provisions of the TPC in respect of such parts of the pipe-line system to which this licence relates, and to such extent, for such period of time, and subject to such conditions, as may be specified in the derogation.
Special Condition 7C. Licensee’s Network Model

Introduction

7C.1 The Licensee must at all times have in place and maintain a computer simulation model (which is to be known as the "Network Model") of the pipe-line system to which this licence relates.

7C.2 The Network Model must be in a form approved by the Authority and must be designed to meet the three Network Model Objectives set out in Part A below.

7C.3 The Licensee must provide the Authority, if required, reasonable access to the Network Model and must use reasonable endeavours to provide the Authority with remote access to enable it to operate the Network Model.

Part A: Network Model Objectives

7C.4 The three Network Model Objectives are that the Network Model should:

(a) facilitate the Licensee’s compliance with its duty under section 9(1)(a) of the Act;

(b) be consistent with the Transmission Planning Code maintained by the Licensee under Special Condition 7B (Transmission Planning Code); and

(c) be so designed as to demonstrate its consistency with each of the preceding two objectives.

7C.5 The Licensee must review, and may from time to time revise, the Network Model in accordance with the requirements of Part B below.

Part B: Review and revision of the Network Model

7C.6 The Licensee must if so requested by the Authority, and in any event not less than once in every period of two Formula Years, review the Network Model to ensure that it continues to meet the Network Model Objectives.

7C.7 Within 28 days after completing any such review, the Licensee must give the Authority a report (“the review report”) that sets out:

(a) the outcome of the review;

(b) how any proposed revisions to the Network Model would better achieve the Network Model Objectives; and

(c) the date on which the Licensee plans to implement any proposed revisions to the Network Model.

7C.8 Except where the Authority otherwise consents in writing, any material revisions to the Network Model that are proposed by the Licensee within the review report may only be made with the Authority’s approval (but this is subject to paragraph 7C.9).

7C.9 If the Authority has not informed the Licensee in writing of its decision in respect of such revisions within 28 days after the date on which the review report was submitted to
the Authority, the Authority will be deemed to have approved the revisions and the Licensee may incorporate them into the Network Model.

7C.10 In giving an approval under paragraph 7C.8, the Authority may require that the Licensee appoint an independent expert to review the implementation of the proposed revisions to the Network Model.

7C.11 Where the Authority requires a review under paragraph 7C.10, the Licensee must within two months after the implementation of the revisions 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 C: Provision and modification of network data

7C.12 The Licensee must include in the Network Model all the data necessary for the Network Model to satisfy the Network Model Objectives (“the relevant data”).

7C.13 The Licensee must:
   (a) at all times have in place a statement of procedures for modifying or updating the relevant data;
   (b) keep under review the procedures set out in that statement; and
   (c) propose such revisions to those procedures as it considers necessary in the light of such review.

7C.14 The statement of procedures under paragraph 7C.13 and (except where the Authority otherwise consents in writing) all revisions to it must be approved by the Authority (but this is subject to paragraph 7C.15).

7C.15 If the Authority has not informed the Licensee in writing of its decision in respect of the statement of procedures (or any revision to it) within 28 days after the date on which the statement (or the revision) was submitted to the Authority, the Authority will be deemed to have approved the statement (or revision).

7C.16 The Authority may, by written notice to the Licensee, ask it to provide such of the relevant data as the Authority considers is reasonably required to enable it to operate the Network Model for any such period as may be specified in the notice.

7C.17 The Licensee must use reasonable endeavours to provide the relevant data specified in any notice under paragraph 7C.16.

Part D: Derogations

7C.18 The Authority may (after consulting the Licensee) give the Licensee a direction that relieves it of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified in the direction.
Special Condition 7D. Methodology for Network Output Measures

Introduction

7D.1 The purpose of this condition is to ensure that the Licensee has in place a Methodology for Network Output Measures that achieves the objectives set out in paragraph 7D.3.

Part A: Licensee’s general obligations under this condition

7D.2 The Licensee must at all times have in place and maintain a Methodology for Network Output Measures (“the NOMs Methodology”) that:

(a) facilitates the achievement of the NOMs Methodology Objectives set out in Part B below;

(b) enables the objective evaluation of the Network Output Measures set out in Part C below;

(c) is implemented by the Licensee in accordance with the provisions of Part D below; and

(d) may be modified from time to time in accordance with the provisions of Part E below.

Part B: The NOMs Methodology Objectives

7D.3 The NOMs Methodology Objectives as referred to in paragraph 7D.2(a) of this condition are as follows:

(a) the monitoring of the Licensee’s performance in relation to the development, maintenance, and operation of an efficient co-ordinated and economical pipe-line system for the conveyance of gas;

(b) the assessment of historical and forecast network expenditure on the pipe-line system to which this licence relates;

(c) the comparative analysis of performance over time between:

(i) geographic areas of, and Network Assets within, the pipe-line system to which this licence relates;

(ii) pipe-line systems for the conveyance of gas within Great Britain; and

(iii) pipe-line systems for the conveyance of gas in Great Britain and in other countries;

(d) the communication of relevant information regarding the pipe-line system to which this licence relates between the Licensee, the Authority and other interested parties in a transparent manner.
Part C: The NOMs methodology

7D.4 The NOMs Methodology must be designed to enable the evaluation of:

(a) the Network Assets Condition Measure, which relates to the current condition of the Licensee’s Network Assets, the reliability of the Licensee’s Network Assets, and the predicted rate of deterioration in the condition of the Licensee’s Network Assets, which is relevant to assessing the present and future ability of the Network Assets to perform their function;

(b) the Network Risk Measure, which relates to the overall level of risk to the reliability of the pipe-line system to which this licence relates that results from the condition of the Network Assets and the interdependence between the Network Assets;

(c) the Network Performance Measure, which relates to those aspects of the technical performance of the pipe-line system to which this licence relates that have a direct impact on the reliability and cost of services provided by the Licensee as part of its Transportation Business;

(d) the Network Capability Measure, which relates to the level of the capability and utilisation of the pipe-line system to which this licence relates at NTS Entry Points and NTS Exit Points and to other network capability and utilisation factors; and

(e) the Network Replacement Outputs, which are used to measure the Licensee’s asset management performance as required in Special Condition 7E (Specification of Network Replacement Outputs), collectively the “Network Output Measures” to which paragraph 7D.2(b) of this condition refers.

7D.5 The Licensee must set out in its NOMs Methodology the categories of data that are to be used and the methodology that is to be applied to such data to derive each of the Network Output Measures.

Part D: Implementation of the NOMs Methodology

7D.6 Except where the Authority otherwise consents in writing, the Licensee must provide it with:

(a) information (whether historic, current, or forward-looking) about the Network Output Measures; supported by

(b) such relevant other data and such examples of network modelling, as may be specified for the purposes of this condition in any Regulatory Instructions and Guidance (“RIGs”) that have been issued by the Authority in accordance with the provisions of Standard Special Condition A40 (Regulatory Instructions and Guidance).

7D.7 The information and other matters mentioned in paragraph 7D.6 must be provided in such manner, in respect of such periods, and within such timeframes as may be specified in the RIGs to which that paragraph refers.
Part E: Modification of the NOMs Methodology

7D.8 The Licensee must from time to time, and at least once every year, review the NOMs Methodology to ensure that it facilitates the achievement of the NOMs Methodology Objectives.

7D.9 The NOMs Methodology may be modified from time to time to enable the methodology better to facilitate the achievement of the NOMs Methodology Objectives.

7D.10 The Licensee may make a modification to the NOMs Methodology, subject to paragraph 7D.12, of this condition after:

(a) consulting with interested parties, allowing them a period of at least 28 days within which to make written representations with respect to the Licensee’s modification proposal; and

(b) submitting to the Authority a report that contains all of the matters that are listed in paragraph 7D.11 of this condition.

7D.11 The matters to which paragraph 7D.10(b) of this condition refer are:

(a) a statement of the proposed modification to the NOMs Methodology;

(b) a full and fair summary of any representations that were made to the Licensee pursuant to paragraph 7D.10(a) of this condition and were not withdrawn;

(c) an explanation of any changes that the Licensee has made to its modification proposal as a consequence of such representations;

(d) an explanation of how, in the Licensee’s opinion, the proposed modification, if made, would better facilitate the achievement of the NOMs Methodology Objectives;

(e) a presentation of the data and other relevant information (including historical data, which should be provided, where reasonably practicable, for a period of at least ten years prior to the date of the modification proposal) that the Licensee has used for the purpose of developing the proposed modification;

(f) a presentation of any changes to the Network Replacement Outputs, as set out in the tables in Special Condition Special Condition 7E (Specification of Network Replacement Outputs), that are necessary as a result of the proposed modification to the NOMs Methodology; and

(g) a timetable for the implementation of the proposed modification, including an implementation date (which must not be earlier than the date on which the period referred to in paragraph 7D.12 of this condition would expire).

7D.12 Where the Licensee has complied with the requirements of paragraphs 7D.10 and 7D.11 of this condition, the Licensee may implement the proposed modification to the NOMs Methodology unless the Authority, within 28 days after receiving the report submitted to it under paragraph 7D.10(b) of this condition, issues a direction to the Licensee requiring it not to implement the proposed modification.

7D.13 The Authority, after consulting with the Licensee and any other interested parties, may direct the Licensee to modify the NOMs Methodology in such manner, to such extent, and with effect from such time as may be specified in the direction.

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Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019
7D.14 The Licensee must comply with the requirements of any direction given to it under paragraph 7D.13 of this condition.
Special Condition 7E. Specification of Network Replacement Outputs

Introduction

7E.1 The purpose of this condition is to specify the Network Replacement Outputs the Licensee must deliver during the Price Control Period, and the incentive reward or penalty associated with material over or underdeliveries against those outputs, and the allowed expenditure associated with them.

Part A: Obligation to deliver Network Replacement Outputs

7E.2 Subject to paragraph 7E.3 of this condition, by the end of the Price Control Period the Licensee must deliver the Network Replacement Outputs in accordance with the specifications set out in Table 1 of this condition.

Table 1: Network Replacement Outputs

<table>
<thead>
<tr>
<th>Asset categories</th>
<th>Units</th>
<th>Asset distribution based on Replacement Priority at 31 March 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Replacement Priority (where RP1 is the highest risk category)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RP1</td>
</tr>
<tr>
<td>1 Entry</td>
<td>Units</td>
<td>122</td>
</tr>
<tr>
<td>2 Exit</td>
<td>Units</td>
<td>122</td>
</tr>
<tr>
<td>3 Compressor</td>
<td>Units</td>
<td>354</td>
</tr>
<tr>
<td>4 Pipeline</td>
<td>Units</td>
<td>2,028</td>
</tr>
<tr>
<td>5 Multijunction</td>
<td>Units</td>
<td>130</td>
</tr>
</tbody>
</table>

7E.3 The Licensee shall also be deemed to have delivered a particular Network Replacement Output for the purposes of paragraph 7E.2 of this condition, notwithstanding a failure to meet the relevant specifications in Table 1 of this condition, if by the end of the Price Control Period:

(a) it delivers an equivalent level of risk to the Network Replacement Output specified in in Table 1 of this condition (a “Materially Equivalent Output”); or

(b) it delivers the Network Replacement Output or a Materially Equivalent Output to a lower level of risk than that set out in in Table 1 of this condition, but that overdelivery is justified in accordance with the RIIO Principles (a “Justified Material Overdelivery”); or

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 – 10 December 2019
(c) it delivers the Network Replacement Output or a Materially Equivalent Output to a higher level of risk than that set out in in Table 1 of this condition, or delivers neither the Network Replacement Output or a Materially Equivalent Output, but that underdelivery is justified in accordance with the RIIO Principles (a “Justified Material Underdelivery”).

7E.4 The Authority will assess the Licensee’s performance under paragraphs 7E.2 and 7E.3 of this condition in accordance with the process set out in this Part B of this condition for the purposes of determining whether adjustments should be made to the Licensee’s allowed revenue in the second price control period (to commence on 1 April 2021) in accordance with the principles set out in Table 2 in Part C of this condition.

7E.5 In assessing whether the Licensee should be deemed to have delivered a particular Network Replacement Output under paragraph 7E.3 of this condition the Authority will, amongst other things, take account of any trade-offs between asset categories which the Licensee is able to demonstrate has or are likely to deliver an equivalent or better set of Network Outputs to those specified in in Table 1 of this condition.

Part B: Procedure for assessing Network Replacement Outputs and associated Price Control Allowed Expenditure Adjustments

7E.6 By 31 July 2021 the Licensee must provide a report to the Authority setting out the extent to which it has complied with paragraph 7E.2 of this condition, including (as relevant) detailed explanations together with supporting evidence as to why the Licensee considers that it has delivered:

(a) a Network Replacement Output in accordance with the relevant specifications set out in Table 1 of this condition;
(b) any Materially Equivalent Outputs;
(c) any Justified Material Overdelivery; or
(d) any Justified Material Underdelivery.

7E.7 The Licensee shall provide such further analysis or information, and in accordance with such timescales, as the Authority considers is reasonably necessary to enable it to undertake its assessment for the purposes of its determination under paragraph 7E.4 of this condition.

7E.8 A determination by the Authority under Part B of this condition will be of no effect unless the Authority has first:

(a) given notice to the Licensee and to any other interested parties that it proposes to make the determination:
   (i) stating the reasons for and the effects of its proposed determination; and
   (ii) specifying the time (which must not be less than a period of 56 days) within which representations concerning the proposed determination may be made; and

(b) considered any representations in response to the notice that are duly made and not withdrawn.
Part C: Principles for determining adjustments to allowed expenditure

7E.9 The Authority will determine whether adjustments should be made to allowed revenue in the second price control period (to commence on 1 April 2021) in accordance with the principles set out in Table 2 below:

Table 2: Treatment of under- and over-delivery of Network Replacement 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 second price control period allowances</td>
<td>Cost of over-delivery will be included in the second price control period allowances</td>
</tr>
<tr>
<td></td>
<td>The financing cost incurred by the Licensee in advancing investment will be reimbursed</td>
<td>The Licensee will incur the financing cost of earlier investment</td>
</tr>
<tr>
<td></td>
<td>Reward of 2.5 per cent of the additional costs associated with the material overdelivery</td>
<td></td>
</tr>
<tr>
<td>Under-delivery</td>
<td>Cost of under-delivery will be excluded from the second price control period allowances</td>
<td>Cost of under-delivery will be excluded from the second price control period allowances</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 investment shall be clawed back</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Penalty of 2.5 per cent of the avoided costs associated with the material underdelivery</td>
</tr>
</tbody>
</table>

Part D: Allowed expenditure for Network Replacement Outputs

7E.10 The allowed expenditure figures to deliver the Network Replacement Outputs set out in Table 3 have been reflected in the Licensee’s Opening Base Revenue Allowances, set against the Licensee’s name in Appendix 1 to Special Condition 2A (Restriction of NTS Transportation Owner Revenue).
Table 3: Allowed expenditure for Network Replacement Outputs

<table>
<thead>
<tr>
<th>Formula Year</th>
<th>Allowed expenditure (£m 2009/10 prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>59.887</td>
</tr>
<tr>
<td>2014/15</td>
<td>54.691</td>
</tr>
<tr>
<td>2015/16</td>
<td>60.580</td>
</tr>
<tr>
<td>2016/17</td>
<td>55.738</td>
</tr>
<tr>
<td>2017/18</td>
<td>52.996</td>
</tr>
<tr>
<td>2018/19</td>
<td>53.046</td>
</tr>
<tr>
<td>2019/20</td>
<td>51.919</td>
</tr>
<tr>
<td>2020/21</td>
<td>51.970</td>
</tr>
</tbody>
</table>
Chapter 8: Development of System Operator Services
Special Condition 8A: System Management Services

Introduction

8A.1 The purpose of this condition is to ensure that the Licensee operates the pipeline system to which this licence relates in an efficient, economic and co-ordinated manner and at all times has in place and maintains:

(a) a statement that complies with the requirements of Part B below in respect of the Licensee’s procurement of System Management Services;
(b) a statement that complies with the requirements of Part C below in respect of the Licensee’s use of System Management Services;
(c) a methodology for determining the Licensee’s charges for System Management Services that complies with the requirements of Part D below; and
(d) a statement under Part D below in respect of that methodology.

8A.2 The methodology and each of the statements:

(e) must be consistent with the Licensee’s duties under Part A below, with its other duties under the Act and the conditions of this licence; and
(f) must be in a form approved by the Authority.

Part A: General duties under this Condition

8A.3 The Licensee shall operate the pipeline system to which this licence relates in an efficient, economic and co-ordinated manner.

8A.4 In procuring or using System Management Services, the Licensee must not show undue preference to, or unduly discriminate between, any person or any class or classes of persons.

8A.5 The Licensee’s obligations under paragraph 8A.4 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 separate gas transporter licence for a relevant gas transporter.

Part B: Procurement Guidelines document

8A.6 The Licensee must have in place before 1 April in each Formula Year, a Procurement Guidelines document which sets out:

(a) the types of System Management Services that the Licensee may be interested in purchasing during that Formula Year; and
(b) the mechanisms by which the Licensee envisages purchasing, entering into agreements for the provision of, or otherwise acquiring those services.

8A.7 The Licensee shall promptly revise its Procurement Guidelines document within the relevant Formula Year if its intentions in relation to the procurement of System Management Services change during that period.

8A.8 Within one month of the start of each Formula 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 Formula Year.
Part C: System Management Principles Statement

8A.9 The Licensee must at all times 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.

8A.10 The Licensee must use reasonable endeavours to comply with the provisions of the System Management Principles Statement.

8A.11 As soon as practicable after the end of each Formula 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.

8A.12 The report must be accompanied by a statement from an independent examiner, being a person having the appropriate skills that:

(a) confirms that they have carried out an investigation, the scope and objectives of which were established by the Licensee and approved by the Authority; and

(b) gives their view on the extent to which the Licensee has complied with the provisions of the System Management Principles Statement.

8A.13 The Licensee may from time to time revise its System Management Principles Statement in accordance with the requirements of Part E below.

Part D: System Management Services Adjustment Methodology

8A.14 This Part D applies where the 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.

8A.15 Where this Part D applies, the Licensee must at all times have in place and comply with a System Management Services Adjustment Methodology approved by the Authority.

8A.16 The System Management Services Adjustment Methodology is a methodology which the Licensee must use to determine which costs and volumes of Relevant System Management Services are to be taken into account under the network code for the purposes of determining (in whole or in part) the charges in any period, and which covers each of the kinds of System Management Services which the Licensee buys, sells, or acquires, and the mechanisms by means of which the Licensee buys, sells, or acquires them, at the time at which the methodology is established.

8A.17 The Licensee must at all times 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.

8A.18 The Licensee may from time to time revise its System Management Services Adjustment Methodology in accordance with the requirements of Part F below.
Part E: Procedure for revising the System Management Principles Statement

8A.19 The Licensee must, if so directed by the Authority, and in any event at least once in each Formula Year, review its System Management Principles Statement in consultation with gas shippers, DN operators, and other persons likely to be materially affected by the Licensee’s use of System Management Services.

8A.20 The consultation must allow a period of not less than 28 days in which persons can make representations or objections to the Licensee.

8A.21 Within seven days after completing the consultation, the Licensee must send to the Authority:
   (a) a report on the outcome of the review;
   (b) a statement of any proposed revisions to the Systems Management Principles Statement that the Licensee (having regard to the outcome of the review) reasonably considers would better achieve the principles and criteria set out at paragraph 8A.9; and
   (c) any written representations or objections (including any proposals for revising the statement that have not been accepted by the Licensee) that were received from any of the persons mentioned in paragraph 8A.19 during the consultation process and have not been withdrawn.

8A.22 The Licensee may revise the System Management Principles Statement only in accordance with any revision that falls within 8A.21 (b), and only if the Authority consents to that revision.

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

8A.23 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, as the case may be.

8A.24 Subject to paragraph 8A.25 below, 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 person who asks for a copy;
   (b) consult gas shippers and DN Operators and allow them a period of not less than 28 days in which to make representations;
   (c) within seven days of the close of the consultation under this paragraph, submit to the Authority a report (“the revisions report”) that sets out the revisions originally proposed, the representations (if any) received by the Licensee, and any proposed change to the original proposals.

8A.25 The Authority may direct that any of sub-paragraphs (a) to (c) of paragraph 8A.24 is not to apply, in which event the Licensee must comply with such other requirements as are specified in the direction.

8A.26 The Licensee must not revise its System Management Services Adjustment Methodology:
   (a) until the end of the period of 28 days from the date on which the Authority receives the revisions report; or
(b) if within that period the Authority directs the Licensee not to make the revision; or
(c) if paragraph 8A.25 applies, before the day (if any) specified in the Authority’s direction under that paragraph.

Part G: Availability of Licensee’s statements and reports

8A.27 This Part G applies, to the extent set out below, to the statements methodologies and reports prepared by the Licensee in accordance with Parts B to D above (each a “relevant statement” or a “relevant report”, as the case may be) and to any revisions of a statement or methodology under Part B, E, or F above (each a “relevant revision”).

8A.28 The Licensee, subject to the provisions of Part H below, must:
(a) give the Authority a copy of each relevant statement, each relevant report, and each relevant revision;
(b) give a copy of each relevant statement (or the most recent relevant revision of it) and of each relevant report to any person who asks for a copy and makes such 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 relevant statement and each relevant revision.

Part H: Exclusion of certain matters

8A.29 In complying with the requirements of paragraphs 8A.28(b) and (c), the Licensee must have regard to the need for excluding, so far as is practicable, any matter that relates to the affairs of a person where the publication of that matter would or might seriously and prejudicially affect his interests.

8A.30 Any question arising under paragraph 8A.29 as to whether the publication of some matter that relates to the affairs of a person would or might seriously and prejudicially affect his interests is to be resolved by the Authority unless the Authority otherwise consents in writing.

Part I: Retention of particulars and records

8A.31 Unless the Authority otherwise consents, 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

8A.32 The Authority may (after consulting the Licensee) give a direction that relieves it of any or all of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified in the direction.

Part K: Interpretation

8A.33 For the purposes of this condition:
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balancing Trade</td>
<td>means an Eligible Balancing Action within the meaning given to that term in the network code.</td>
</tr>
<tr>
<td>Relevant System Management Services</td>
<td>means System Management Services other than:</td>
</tr>
<tr>
<td></td>
<td>(a) those that the Licensee has acquired through a Balancing Trade (if that trade was not made</td>
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<tr>
<td></td>
<td>pursuant to any prior agreement); and</td>
</tr>
<tr>
<td></td>
<td>(b) those that the Authority directs the Licensee not to treat as Relevant System Management Services.</td>
</tr>
<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</td>
</tr>
<tr>
<td></td>
<td>includes Balancing Trades and Balancing Trade derivatives and constraint management services.</td>
</tr>
</tbody>
</table>
8B.1 Standard Special Condition A11 (Network Code and Uniform Network Code) shall be amended by the insertion of 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 shall, in appointing any such operator as is mentioned in paragraph 22A, use all reasonable endeavours to appoint a person having:

(a) financial resources,
(b) skilled and experienced personnel, and
(c) systems adequate to ensure that the market is conducted in an orderly and proper manner according to clear and fair rules with a clearing function that enables the licensee and relevant shippers to offset any sale to any one participant in the market against any equivalent purchase from that or any other participant in the market.”

“22C. The requirement in paragraph 22B shall be treated as satisfied in respect of any appointment if the licensee appoints as operator of the independent market for balancing a person who, at the time of appointment, is:

(a) a person recognised by the Financial Services Authority under the Financial Services and Markets Act 2000 as an investment exchange; or
(b) a person designated by the Authority for the purposes of that paragraph and if that designation has not expired or been revoked.”

“22D. If a person appointed by the licensee in reliance on paragraph 22C ceases to be recognised as provided in sub-paragraph (a) or to be designated as provided in sub-paragraph (b) of that paragraph then the licensee shall use all reasonable endeavours to terminate the appointment of that person and, if the licensee elects that the market operated by that person shall continue to be established, to appoint another person in place of the first person in accordance with paragraph 22B.”
Special Condition 8C: Procurement of Operating Margins

Introduction

8C.1 The purpose of this condition is to set out the obligations of the Licensee in respect of the procurement of its Operating Margins requirements and the provision of an Operating Margins Report.

Part A: Licensee's obligations under this condition

8C.2 The Licensee shall use reasonable endeavours to procure its Operating Margins requirements in an economic and efficient manner and promote competition in the provision of Operating Margins to the Licensee in respect of the Formula Year commencing on 1 April 2013 and each subsequent Formula Year until 31 March 2021.

8C.3 To meet its obligations pursuant to paragraph 8C.2 of this condition, the Licensee shall, wherever the Licensee considers it is appropriate to do so, consult with Interested Parties on the actions it proposes to take to procure Operating Margins and promote competition in the provision of Operating Margins.

8C.4 The Licensee shall, from 1 April 2013 and thereafter every 12 months (unless the Authority otherwise directs in writing):
   (a) provide to the Authority by 31 August in each Formula Year an Operating Margins Report; and
   (b) publish a non-confidential version of the Operating Margins Report on its website.

8C.5 The Operating Margins Report shall set out, to an appropriate level of detail:
   (a) for the Operating Margins Report provided in respect of the Storage Year ending on 30 April 2014 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 intends to take pursuant to its obligations under this condition in the current Storage Year; and
   (c) details of the Operating Margins services it has procured for the current Storage Year.

Part B: Interpretation

8C.6 For the purposes of this condition:
   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.
   Operating Margins shall have the same meaning as is given to that term in the network code.
   Storage Year shall have the same meaning as is given to that term in the network code.
Special Condition 8D: Requirement to undertake a Scheme of Work to facilitate the establishment of a long term external gas system operator incentive to reduce targeted greenhouse gases

Introduction

8D.1 The purpose of this condition is to set out the obligations of the Licensee in respect of the activities set out in the Scheme of Work.

Part A: Licensee’s obligations under this condition

8D.2 The Licensee shall undertake the activities set out in the Scheme of Work, as agreed between the Licensee and the Authority, within the timescales outlined in the Scheme of Work or such later timescales as the Authority may reasonably direct.

8D.3 The Authority may direct the recovery of up to 60% of the non recoverable costs up to a maximum of £300,000 in accordance with the procedure for the direction of the value of GHGC set out in paragraph 3D.38 of Special Condition 3D (NTS System Operator external incentives, costs and revenues).

8D.4 The Licensee shall comply with all the requirements of this condition in a timely fashion and in good faith.

8D.5 The Scheme of Work may be amended from time to time subject to agreement by the Licensee and the Authority.

Part B: Interpretation

8D.6 For the purposes of this condition:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse Gas Emissions Incentive</td>
<td>means any Greenhouse Gas Emissions Incentive equivalent to that specified in Part F of Special Condition 3D (NTS System Operator external incentives, costs and revenues) and any future incentive schemes for the reduction of the Licensee’s Greenhouse Gas Emissions.</td>
</tr>
<tr>
<td>Scheme of Work</td>
<td>means a specification of work for the purposes of developing a long term Greenhouse Gas Emissions Incentive to reduce Greenhouse Gas Emissions resulting from the operation of the pipeline system to which this licence relates by the Licensee. The Scheme of Work should include:</td>
</tr>
<tr>
<td></td>
<td>(a) an approach, estimated costs (where the estimated non recoverable costs shall not exceed £500,000) and timetable;</td>
</tr>
<tr>
<td></td>
<td>(b) the development of a methodology for the quantification of the Licensee’s Greenhouse Gas Emissions arising from venting of natural gas from the pipeline system, to which this</td>
</tr>
</tbody>
</table>
licence relates and shall be designed to improve the information available to the Authority when the Authority is developing its proposals for a Greenhouse Gas Emissions Incentive; and

(c) projects relating to alternatives to venting natural gas.

<table>
<thead>
<tr>
<th><strong>Greenhouse Gas Emissions</strong></th>
<th>means:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a) the release of natural gas; and</td>
</tr>
<tr>
<td></td>
<td>(b) other emissions as a result of activities of the Licensee as an alternative to the release of natural gas from the pipeline system to which this licence relates as a result of operation, maintenance or decommissioning of that system (or any part of it).</td>
</tr>
</tbody>
</table>

| **non recoverable costs** | means any costs incurred by the Licensee in undertaking the activities set out in the Scheme of Work that are not recoverable by the Licensee through mechanisms other than those referred to in paragraph 8D.3 of this condition. |
Special Condition 8E: Requirement to undertake UAG Projects to investigate the causes of Unaccounted for Gas (UAG)

Introduction

8E.1 The purpose of this condition is to set out the obligations of the Licensee in respect of undertaking projects for the purposes of investigating the causes of Unaccounted for Gas (UAG) and the publication of the findings of these projects, including relevant data.

Part A: Licensee’s obligations under this condition

8E.2 The Licensee shall use reasonable endeavours to undertake the UAG Projects as specified in this condition for the purposes of investigating the causes of Unaccounted for Gas in respect of Formula Year t commencing on 1 April 2013 and each subsequent Formula Year t until 31 March 2021. The UAG Projects shall include but need not be limited to those set out in paragraph 8E.5. Where the Licensee does not undertake certain UAG Projects it shall clearly set out its reasoning in the UAG Reports referred to in paragraph 8E.3.

8E.3 The Licensee shall publish UAG Reports of the findings of these UAG Projects on its website and provide a copy of the UAG Reports to the Authority. The Licensee shall publish the UAG Reports by 1 May 2013, 1 October 2013 and every subsequent six months thereafter or such other dates as agreed by the Authority.

8E.4 Within one month of publishing a UAG Report the Licensee shall publish on its website all the relevant data referred to in the UAG Report. Where there are legitimate reasons for not publishing certain data on the website the Authority may consent for the Licensee not to do so.

Part B: Interpretation

8E.5 For the purposes of this condition:

UAG Projects 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.

UAG Report means the report of the findings of the UAG Projects undertaken by the Licensee. The UAG Report shall detail the UAG Projects the Licensee has undertaken.

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 – 10 December 2019
in the previous period, the UAG Projects it proposes to undertake in the next period and the Licensee’s 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. The UAG Report shall also detail the reasons why any UAG Projects that the Licensee proposed to undertake have not been undertaken. The UAG Report shall summarise any relevant discussion concerning UAG at industry fora and with interested parties on a one-to-one basis.

**Unaccounted for Gas (UAG)**

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 network code.

**Measurement Equipment; NTS System Entry Points; Supply Meter Installations; NTS Exit Points; Entry Close-out Date; NTS Shrinkage**

shall bear the same meanings as are given to those terms in the network code.
Special Condition 8F: Provision of information

Introduction

8F.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

8F.2 The Licensee shall use reasonable endeavours to publish information on its website in a timely manner and which will provide:
   (a) the key assumptions and analysis used by the Licensee in its development of future energy scenarios;
   (b) the Licensee’s view on what the Licensee believes the outlook will be for the coming summer and winter (as appropriate) for gas. These reports shall include, but shall not be limited to, 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.

Part B: Interpretation

8F.3 For the purposes of this condition:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Data</td>
<td>shall, unless directed by the Authority, include, but not be limited to: the National Forecast Flow Data Item or Report; the National Physical Flow Data Item or Report; the NTS Throughput Data Item or Report; and the Predicted Closing Linepack Data Item or Report.</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>NTS Throughput Data Item or Report</td>
<td>means a data item or report published by the Licensee showing, amongst other data, the forecast level of Actual NTS Throughput.</td>
</tr>
<tr>
<td>Predicted Closing Linepack Data Item or Report</td>
<td>means an hourly data item or report published by the Licensee showing, for each Day, the opening NTS Linepack, two projected closing NTS Linepack figures, and Forecast Total System Demand. NTS</td>
</tr>
<tr>
<td>Actual NTS Throughput</td>
<td>Linepack and Forecast Total System Demand have the meaning given to those terms in the network code.</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>shall have the meaning given to that term in Part H of Special Condition 3D (NTS System Operator external incentives, costs and revenues).</td>
</tr>
</tbody>
</table>
Special Condition 8G: Maintenance and Operational Planning

Introduction

8G.1 The purpose of this condition is to set out the obligations of the Licensee in respect of the provision of information in relation to its maintenance planning.

Part A: Provision of Information

8G.2 The Licensee shall use reasonable endeavours to communicate its Maintenance Plan to:
   (a) Maintenance Relevant Parties who may be affected by planned maintenance; and
   (b) parties who are not likely to be affected by planned maintenance

as early as may be reasonably practicable. Such information shall cover a three year period and the Licensee shall use reasonable endeavours to update it on, at least, an annual basis.

8G.3 The information to be provided under paragraph 8G.2(a) shall include, but not be limited to:
   (a) the type of work the Licensee intends to carry out and 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 under (a) and (b) on Maintenance Relevant Parties (for example this may relate 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 under (a) and (b) will take place; and
   (e) an indication of the duration of the work identified under (a) and (b) (number of hours or Days).

8G.4 The Licensee’s communications under this condition should, as far as is reasonably practicable, include the publication of such Maintenance requirements on the Licensee’s website and shall include the appropriate contact details for the Licensee. 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.

8G.5 The Licensee shall 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.

8G.6 The Licensee shall use reasonable endeavours to ensure all Maintenance Relevant Parties are aware of 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 (“the Minor Works Agreement”).

8G.7 By 1 June in each Formula Year t, commencing 1 June 2013, the Licensee shall publish a report on its website that summarises the Maintenance that it undertook.
in Formula Year t-1 and shall detail the changes made to its Maintenance Plan in respect of Formula Year t-1.

8G.8 The Licensee shall collate and provide to the Authority information in respect of its Maintenance Plan and changes to its Maintenance Plan such that the Authority is able to implement updated financial incentives in respect of Maintenance from 1 April 2015. Such information shall include, but shall not be limited to, the number of Maintenance Relevant Parties affected by each occasion when it has undertaken Maintenance and the Licensee’s response when a Maintenance Relevant Party requests a change to the Maintenance Plan.

8G.9 The provisions of this Special Condition operate without prejudice to the obligations of the Licensee pursuant to the network code.

Part B: Interpretation

8G.10 For the purposes of this condition:

Maintenance includes:

(a) maintenance, inspection, repair, replacement, reinstatement and recommissioning of the pipeline system to which this licence relates or any part or parts of it;
(b) works for the expansion, reinforcement or extension of the pipeline system to which this licence relates, including works in relation to existing parts of the pipeline system to which this licence relates (including taking any part of the pipeline system to which this licence relates which are out of service, whether on a temporary or permanent basis) to enable such works to be carried out; and
(c) any inspection, testing and commissioning of works within paragraphs (a) and (b), and works preparatory thereto, and any works required for bringing any new or existing part of the pipeline system to which this licence relates into, or back into, service.

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

Maintenance Relevant Party shall have the meaning given to that term in the network code.
Special Condition 8H: Greenhouse Gas Emissions Calculation Methodology

Introduction

8H.1 The purpose of this condition is to establish obligations on the Licensee in respect of the provision of a methodology for calculating the mass of Natural Gas Vented and of the values resulting from the application of this methodology in respect of the Formula Year commencing on 1 April 2013 and each subsequent Formula Year until 31 March 2021.

Part A: Calculation Methodology

8H.2 The Licensee shall submit to the Authority:
   (a) a Greenhouse Gas Emissions Calculation Methodology for calculating the mass of Natural Gas Vented which has been verified by an Independent Examiner, and in accordance with accepted greenhouse gas accounting and auditing principles, by 31 July 2013; and
   (b) unless the Authority otherwise consents in writing, a statement from an Independent Examiner by 31 July 2013 confirming that the Independent Examiner has carried out an examination of the Greenhouse Gas Emissions Calculation Methodology. Such examination shall include an assessment of whether the Greenhouse Gas Emissions Calculation Methodology is consistent with accepted greenhouse gas accounting and auditing principles.

8H.3 Prior to any modification of the Greenhouse Gas Emissions Calculation Methodology the Licensee shall:
   (a) submit a copy of any proposed modifications to the Authority; and
   (b) unless the Authority otherwise consents in writing, provide a statement from an Independent Examiner giving view as to the extent to which the modifications are consistent with accepted greenhouse gas accounting and auditing principles before 31 July in the Formula Year in which the modification is proposed to be effective.

8H.4 The Greenhouse Gas Emissions Calculation Methodology submitted under paragraph 8H.2(a) and as modified and submitted under paragraph 8H.3(a) shall take into account the outcomes of the Scheme of Work and any other information the Authority may reasonably direct.

Part B: Calculation of Values

8H.5 The Licensee shall for Formula Year t-1 by 31 July 2014 and by 31 July in each subsequent Formula Year in respect of Formula Year t-1 submit to the Authority:
   (a) the mass (in tonnes) of the Natural Gas Vented for the Formula Year t-1 calculated in accordance with the Greenhouse Gas Emissions Calculation Methodology for Formula Year t-1; and
   (b) unless the Authority otherwise consents in writing, a statement from an Independent Examiner confirming that the Independent Examiner has carried out an examination to observe whether the mass calculated by the Licensee in respect of Formula Year t-1 in accordance with
paragraph 8H.5(a) has been determined in accordance with the Greenhouse Gas Emissions Calculation Methodology.

Part C: Interpretation

8H.6 For the purposes of this condition:

- **Greenhouse Gas Emissions Calculation Methodology** means the methodology required under paragraph 8H.2(a).

- **Independent Examiner** means a person or persons 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 methodology for calculating the mass of Natural Gas Vented and verification of the application of this methodology.

- **Natural Gas Vented** means the release of natural gas in tonnes as a result of:
  
  (a) starting a compressor;
  
  (b) purging a compressor;
  
  (c) depressurising a compressor;
  
  (d) the leakage of gas through a seal around the shaft of a compressor; or
  
  (e) such other sources identified as a result of the work completed under the Scheme of Work.

- **Scheme of Work** means a specification of work for the purposes of developing a long term Greenhouse Gas Emissions Incentive to reduce Greenhouse Gas Emissions resulting from the operation of the pipeline system to which this licence relates by the Licensee, as specified in Special Condition 8D (Requirement to undertake a Scheme of Work to facilitate the establishment of a long term external gas system operator incentive to reduce targeted greenhouse gases).
Special Condition 8I: Development and implementation of a Demand Side Response methodology for use after a Gas Deficit Warning

Introduction

8I.1 The Licensee must:

(a) develop a methodology (the “Demand Side Response Methodology”) for assessing and accepting Demand Side Response Offers;

(b) submit a draft version of the Demand Side Response Methodology to the Authority for approval no later than 1st March 2015;

(c) where Directed by the Authority to do so, run a trial of the approved draft Demand Side Response Methodology;

(d) following such a trial, submit to the Authority a report on the outcome of the trial and a final version of the Demand Side Response Methodology amended to address issues identified by the Licensee during the trial; and

(e) where Directed by the Authority to do so, implement the Demand Side Response Methodology.

Part A: Development of a Demand Side Response Methodology

8I.2 The Licensee must develop the Demand Side Response Methodology in consultation with interested parties.

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

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

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

(b) set out the criteria for determining that particular “DMC” Supply Point Components are “DMC” Supply Point Components in respect of which a party may not make Demand Side Response Offers;
(c) allow the Licensee to accept Demand Side Response Offers only where a Gas Deficit Warning is in place or within Stage 1 of a Gas Deficit Emergency;

(d) demonstrate 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) promote, and further facilitate, parties making Demand Side Response Offers to the Licensee through open and transparent market-based arrangements;

(f) not unduly preclude the emergence of commercial interruption arrangements;

(g) minimise distortions and unintended consequences on existing market arrangements and the principle of parties balancing their own positions in the wholesale gas market; and

(h) ensure 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 pipe-line system to which this licence relates in an efficient, economic and co-ordinated manner.

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

8I.5 The draft Demand Side Response Methodology submitted by the Licensee must be accompanied by any written representations (including any proposals that have not been accepted by the Licensee) that were received from interested parties during the consultation process and have not been withdrawn.

8I.6 The Authority will make its decision on whether to approve the Demand Side Response Methodology within 90 days beginning on the date on which the Licensee submits the Demand Side Response Methodology. In considering whether to approve the draft Demand Side Response Methodology, the Authority may have regard to whether it is consistent with the Demand Side Response Methodology Principles.

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

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

(b) publish the draft Demand Side Response Methodology,

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

**Part C: Trial and implementation**

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

(a) conduct a trial of the draft Demand Side Response Methodology in order to assess the effectiveness of the Demand Side Response Methodology proposed by the Licensee; and

(b) within 28 days beginning on the last day of the trial, submit to the Authority a report on the outcome of the trial and any proposed changes to the draft Demand Side Response Methodology.

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

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

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

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

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

8I.11 The Licensee is not required to comply with this condition to such extent and subject to such conditions as the Authority may from time to time direct.

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

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

8I.13 The Licensee must, if so directed by the Authority, and in any event at least once in each Formula Year, review and if appropriate revise the Demand Side Response Methodology implemented in accordance with paragraph 8I.10 in consultation with interested parties.
8I.14 The consultation must allow a period of not less than 28 days in which interested parties can make representations or objections to the Licensee.

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

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

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

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

**Part F: Interpretation**

8I.17 In this condition:

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

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

Gas Deficit Warning, Eligible Balancing Actions, System Clearing Contract, System Marginal Buy Price, System Marginal Sell Price and “DMC” Supply Point Component shall bear the same meanings as are given to those terms in the Uniform Network Code.
Special Condition 8J: Requirement to undertake greenhouse gas investigation activities

Introduction

8J.1 The purpose of this condition is to set out the obligations of the Licensee in respect of the Greenhouse Gas Investigation Activities.

Part A: Licensee's obligations under this condition

8J.2 The Licensee shall by 31 January 2016, or such date as may be otherwise directed by the Authority, submit to the Authority for approval a business plan setting out:

(a) details of activities to be undertaken or where the Licensee has already undertaken for the purposes of:

(i) increasing the Licensee’s understanding of venting (including the causes and driving factors of venting) which are within and outside of the control of the Licensee;

(ii) identifying ways to increase transparency through accurate measurement of venting;

(iii) identifying ways to deliver long-term carbon benefits through cost effective mitigation of venting within the control of the Licensee;

(b) subject to paragraph 8J.5 the timings within which the Licensee shall:

(i) complete the investigation activities specified in the business plan; and

(ii) implement the findings of those investigation activities.

8J.3 Following receipt of a business plan pursuant to paragraph 8J.2, the Authority shall determine within two months of receipt of the business plan whether to approve or reject that business plan.

8J.4 The Licensee may amend an approved business plan from time to time subject to the approval of the Authority.

8J.5 The Licensee shall complete the activities set out in the business plan within the timings specified in the business plan, and in relation to those activities for the purposes specified in paragraphs 8J.2(a)(i) and (ii) by 1 December 2017 at the latest.
8J.6 The Licensee shall ensure appropriate transparency in relation to the results of the investigation activities.

8J.7 The Authority may direct the recovery of an amount up to £0.5m in accordance with the procedure for the direction of the value of GHGIMt set out in paragraphs 3D.46 – 3D.48 of Special Condition 3D.

8J.8 For the purposes of this condition:
Greenhouse Gas Investigation Activities means the activities specified in paragraphs 8J.2, 8J.5 and 8J.6 of this Special Condition
Special Condition 8K: Requirement to report on the length of Short and Long In-Line Inspections (ILIs)

Introduction

8K.1 The purpose of this condition is to set out the obligations of the Licensee in respect of reporting on the length of both Short and Long In-Line Inspections (ILIs).

Part A: Licensee’s obligations under this condition

8K.2 The Licensee shall by 1 June 2016 and every subsequent twelve months thereafter, or by such other dates as directed by the Authority, publish an ILI Report in respect of Formula Year t commencing on 1 April 2015 and each subsequent Formula Year t until 31 March 2021.

Part B: Interpretation

8K.3 For the purposes of this condition:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ILI Report</td>
<td>means a report undertaken by the Licensee detailing the length of time taken by the Licensee to complete both Short ILIs and Long ILIs and comparing this against previous annual reporting figures and any other relevant benchmarks.</td>
</tr>
<tr>
<td>Long 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 more than 10km and requiring one or more Maintenance Plan Days.</td>
</tr>
<tr>
<td>Maintenance Plan Day</td>
<td>shall take the meaning set out in Special Condition 3D.44</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 and requiring one or more Maintenance Plan Days.</td>
</tr>
</tbody>
</table>
Chapter 9: Capacity Methodologies and Statements
Special Condition 9A. Entry Capacity and Exit Capacity Obligations and Methodology Statements

Introduction

9A.1 The purpose of this condition is to set out the obligations of the Licensee in relation to Non-incremental Obligated Entry Capacity and Non-incremental Obligated Exit Capacity in (Part A of this condition). These obligations are to be performed in accordance with the Capacity Methodology Statements developed by the Licensee and approved by the Authority in accordance with Part B of this condition. The Capacity Methodology Statements must be designed to meet the capacity objectives set out in Part C of this condition.

Part A: Capacity methodology obligations

9A.2 The Licensee must, unless and insofar as the Authority may otherwise direct from time to time in writing, use reasonable endeavours to:

(a) substitute Entry Capacity and Exit Capacity in accordance with the relevant Capacity Methodology Statements;

(b) revise Exit Capacity in accordance with the relevant Capacity Methodology Statement; and

(c) meet any requests from a Relevant Shipper to transfer and/or trade Entry Capacity in accordance with the relevant Capacity Methodology Statements, in each case, the relevant Capacity Methodology Statements must be prepared pursuant to Part B of this condition and may be modified from time to time in accordance with Part D of this condition.

Part B: Capacity Methodology Statements

9A.3 The Licensee must:

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

(b) apply the methodologies for the purposes of fulfilling its duties under the Act and obligations under this licence in respect of Entry Capacity and Exit Capacity; and

(c) submit to the Authority for its approval statements setting out each of the methodologies (“the Capacity Methodology Statements”).

9A.4 The Licensee must publish the Capacity Methodology Statements prepared pursuant to paragraph 9A.3 of this condition and each revision thereof on its website and in such other manner as the Authority may approve.
Part C: Capacity methodology objectives

9A.5 For the purposes of Part B of this condition, the Licensee must use reasonable endeavours to ensure that the methodologies will facilitate the achievement of the following objectives (the “capacity objectives”):

(a) ensuring that each of Entry Capacity Substitution and Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision are effected in a manner consistent with the Licensee’s 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 (a) above, ensuring that:

(i) Entry Capacity Substitution is effected in a manner which seeks to minimise the reasonably expected costs associated with Funded Incremental Obligated Entry Capacity, taking into account the Entry Capacity that shippers have indicated that they will require in the future through making a financial commitment to the Licensee; and

(ii) Exit Capacity Substitution is effected in a manner which seeks to minimise the reasonably expected costs associated with Funded Incremental Obligated Exit Capacity, 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 (a) above, ensuring that Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision is 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 (a) above, avoiding material increases in costs including:

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

(ii) Exit Capacity Constraint Management costs in respect of Obligated Exit Capacity previously allocated by the Licensee to DN Operators, 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; and

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

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

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

9A.6 The Licensee must, if so directed by the Authority, and in any event at least once in every two years, review the current methodologies and Capacity Methodology Statements, in consultation with:

(a) Relevant Shippers;
(b) interested parties; and
(c) in the case of Exit Capacity Substitution or Exit Capacity Revision, DN Operators,

and seek to make such modifications to the methodologies and Capacity Methodology Statements as it considers reasonably necessary to better facilitate the achievement of the capacity objectives.

9A.7 Unless the Authority otherwise consents in writing, the methodologies and Capacity Methodology Statements must be accompanied by a statement from an Independent Examiner, confirming that they have carried out an Examination, the scope and objectives of which must have been established by the Licensee and approved by the Authority and giving an opinion as to the extent to which the Licensee has developed a methodology that is consistent with its duties under the Act and its obligations under this licence.

9A.8 Subject to paragraph 9A.9, except where the Authority otherwise directs in writing, before modifying the methodologies and Capacity Methodology Statements, the Licensee must:

(a) send a copy of the proposed modifications to the Authority and to any person who asks for one;

(b) consult with:

(ii) Relevant Shippers;
(ii) interested parties; and
(iii) in the case of Exit Capacity Substitution or Exit Capacity Revision, also with DN Operators,

and allow them a period of not less than 28 days in which to make representations; and

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

(i) the modifications originally proposed;
(ii) the representations made to the Licensee by Relevant Shippers, interested parties (if any) and DN Operators (where relevant) and not withdrawn; and
(iii) any changes to the modifications proposed as a result of such representations; or
(d) where the Authority directs that sub-paragraphs (a), (b) and (c) of this paragraph, or any of them, will not apply, comply with such other reasonable requirements as are specified in that direction.

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

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

(b) where there is no such direction, until the expiry of 2 months (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority will notify the Licensee in writing within a reasonable time after receiving the report referred to in paragraph 9A.8(c) of this condition) from the date on which the Authority receives the report referred to in paragraph 9A.8(c) of this condition; or

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

Part E: Licensee’s obligation to report to the Authority

9A.10 The Licensee must, by 31 May in each Formula Year, provide the Authority with a report on the application and implementation of each methodology relevant to Entry Capacity Transfer, Entry Capacity Trade, Entry Capacity Substitution and Exit Capacity Substitution and Exit Capacity Revision during the previous Formula Year setting out the extent to which, in the Licensee’s opinion, the capacity objectives were achieved during that previous Formula Year.
Special Condition 9B. Methodology to determine the release of Entry Capacity and Exit Capacity volumes

Introduction

9B.1 The purpose of this condition is to set out the obligations on the Licensee to:

(a) develop and, where relevant, modify methodology statements which relate to the principles and methodology for the determination of:

(i) the quantity of Incremental Entry Capacity and Incremental Exit Capacity; and
(ii) Obligated Entry Capacity and Obligated Exit Capacity release;

(together “capacity release methodology statements”);

(b) release Entry Capacity and Exit Capacity in accordance with the capacity release methodology statements; and

(c) produce a summary report relating to those obligations.

Part A: Capacity release obligation

9B.2 The Licensee must, unless and insofar as the Authority may otherwise direct from time to time in writing, use reasonable endeavours to release Obligated Entry Capacity at each NTS Entry Point in at least one Clearing Allocation, except where, and to the extent that, the Authority has otherwise consented in writing, which for the avoidance of doubt where a Clearing Allocation would contravene the provisions of paragraph 4(b) of Standard Special Condition A4 (Charging - General) the Licensee must offer for sale such capacity in accordance with provisions of Standard Special Condition A5(5)(aa)(ii) (Obligations as Regard Charging Methodology).

9B.3 The Licensee must, unless and insofar as the Authority may otherwise direct from time to time in writing, 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 provisions of Standard Special Condition A5 (Obligations as Regard Charging Methodology).

9B.4 For the avoidance of doubt the obligations detailed in 9B.2 and 9B.3 must be incorporated in the capacity release methodology statements for the time being in place.

9B.5 The Licensee must use reasonable endeavours to release Entry Capacity and Exit Capacity to Relevant Shippers and, where relevant, DN Operators, in accordance with the capacity release methodology statements for the time being in place.

Part B: Capacity release methodology statements

9B.6 The Licensee must prepare and submit for approval by the Authority capacity release methodology statements (that are consistent with the Licensee’s duties under the Act and its obligations under this licence) which sets out how the Licensee must:
(a) determine whether to make Incremental Entry Capacity available for sale to Relevant Shippers and, if so, what quantity of Incremental Entry Capacity to make available;
(b) determine whether to make Incremental Exit Capacity available for sale to Relevant Shippers and DN Operators and, if so, what quantity of Incremental Exit Capacity to make available and must state how such capacity is made available;
(c) offer for sale Obligated Entry Capacity to Relevant Shippers; and
(d) offer for sale Obligated Exit Capacity to Relevant Shippers and DN Operators.

9B.7 The Licensee must publish the capacity release methodology statements prepared pursuant to paragraph 9B.6 of this condition and each revision of them on its website and in such other manner as the Authority may approve.

Part C: Modification to the capacity release methodology statements

9B.8 The Licensee must, if so directed by the Authority and, in any event at least once in every two years, review the current capacity release methodology statements.

9B.9 Unless the Authority otherwise consents in writing, the capacity release methodology statements must be accompanied by a statement from an Independent Examiner, confirming that they have carried out an Examination, the scope and objectives of which must have been established by the Licensee and approved by the Authority and giving an opinion as to the extent to which the Licensee has developed a methodology that is consistent with its duties under the Act and its obligations under this licence.

9B.10 Subject to paragraph 9B.9 and paragraph 9B.11, except where the Authority otherwise directs in writing, before modifying the capacity release methodology statements, the Licensee must:
(a) send a copy of the proposed modifications to the Authority and to any person who asks for one;
(b) consult with:
   (i) Relevant Shippers;
   (ii) interested parties; and
   (iii) in the case of Exit Capacity release, DN Operators,

   and allow them a period of not less than 28 days in which to make representations;
(c) within 14 days of the close of the consultation required by paragraph 9B.10(b) of this condition, submit to the Authority a report setting out:
   (i) the modifications originally proposed;
   (ii) the representations made by Relevant Shippers, interested parties (if any) and DN Operators (as relevant) to the Licensee and not withdrawn; and
   (iii) any change to the modifications proposed as a result of such representations; or

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

9B.11 The Licensee will be entitled to modify the capacity release methodology statements at any time pursuant to paragraph 9B.10, save that it must not revise such statements:

(a) if, within 2 months (or 3 months if the Authority has notified the Licensee in writing to that effect within a reasonable time after receiving the report referred to in paragraph 9B.10(c) of this condition) from the date on which the Authority receives the report referred to in paragraph 9B.10(c) of this condition, the Authority directs the Licensee not to make the modification;

(b) where there is no such direction, or no date is specified in such direction, until the expiry of 2 months (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority will notify the Licensee in writing within a reasonable time after receiving the report referred to in paragraph 9B.10(c) of this condition) from the date on which the Authority receives the report referred to in sub-paragraph 9B.10(c) of this condition; or

(c) where paragraph 9B.10(d) of this condition applies, before the Day (if any) specified in the direction made pursuant to that sub-paragraph.

Part D: Obligation to produce capacity release obligation summary reports

9B.12 The Licensee must, at least once in each Formula Year, produce release obligation summary reports which set out the levels of:

(a) the Obligated Entry Capacity that the Licensee is required to release to Relevant Shippers at each NTS Entry Point; and

(b) the Obligated Exit Capacity that the Licensee is required to release to Relevant Shippers and where relevant, DN Operators at each NTS Exit Point.
Special Condition 9C. Methodology to determine revenue drivers

Introduction

9C.1 The purpose of this condition is to set out the obligations on the Licensee to produce a methodology to determine any additional revenue allowances relating to the release of Incremental Obligated Entry Capacity and Incremental Obligated Exit Capacity (“generic entry and exit revenue driver methodology statements”)

Part A: Obligation to produce a methodology to determine any funding arrangements for the release of Funded Incremental Obligated Entry Capacity and of Funded Incremental Obligated Exit Capacity

9C.2 The Licensee must, unless and insofar as the Authority may otherwise direct from time to time in writing, use reasonable endeavours to determine any funding arrangements for the release of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity in accordance with the generic entry and exit revenue driver methodology statements for the time being in place.

9C.3 The relevant generic entry and exit revenue driver methodology statements must be prepared pursuant to Part B of this condition and may be modified from time to time in accordance with Part C of this condition.

Part B: Revenue Driver methodology statements

9C.4 The Licensee must by 1 September 2013, or such later date as the Authority may direct prepare and submit for approval by the Authority generic entry and exit revenue driver methodology statements (that are consistent with the Licensee’s duties under the Act and its obligations under this licence) which set out how the Licensee must determine any funding allowance for:

(a) Funded Incremental Obligated Entry Capacity for each Formula Year t; and
(b) Funded Incremental Obligated Exit Capacity for each Formula Year t.

9C.5 The Licensee must publish the generic entry and exit revenue driver methodology statements prepared pursuant to paragraph 9C.4 of this condition and each revision thereof available on its website and in such other manner as the Authority may approve.

Part C: Modifications to generic entry and exit revenue driver methodology statements

9C.6 The Licensee must, if so directed by the Authority and, in any event, at least once every two years, review the current generic entry and exit revenue driver methodology statements.

9C.7 Unless the Authority otherwise consents in writing, the generic entry and exit revenue driver methodology statements must be accompanied by a statement from an Independent Examiner, confirming that they have carried out an Examination, the scope and objectives of which must have been established by the Licensee and approved by the Authority and giving an opinion as to the extent to which the Licensee has developed a
methodology that is consistent with its duties under the Act and its obligations under this licence.

9C.8 Subject to paragraph 9C.7 and 9C.9, except where the Authority otherwise directs in writing, before modifying the generic entry and exit revenue driver methodology statements, the Licensee must:

(a) send a copy of the proposed modifications to the Authority and to any person who asks for one;

(b) consult with:

(i) Relevant Shippers; and

(ii) interested parties,

and allow them a period of not less than 28 days in which to make representations;

(c) within 14 days of the close of the consultation required by paragraph 9C.8(b) of this condition, submit to the Authority a report setting out:

(i) the modifications originally proposed;

(ii) the representations made by Relevant Shippers and interested parties (if any) to the Licensee and not withdrawn; and

(iii) any change to the modifications proposed as a result of such representations; or

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

9C.9 The Licensee will be entitled to modify the generic entry and exit revenue driver methodology statements at any time pursuant to paragraph 9C.8, save that it must not revise such statements:

(a) if, within 2 months (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority will notify the Licensee in writing within a reasonable time after receiving the report referred to in paragraph 9C.7(c) of this condition) from the date on which the Authority receives the report referred to in paragraph 9C.7(c) of this condition, the Authority directs the Licensee not to make the modification;

(b) where there is no such direction, or no date is specified in such direction, until the expiry of 2 months (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority will notify the Licensee in writing within a reasonable time after receiving the report referred to in paragraph 9C.8(c) of this condition) from the date on which the Authority receives the report referred to in sub-paragraph 9C.7(c) of this condition; or

(c) where paragraph 9C.7(d) of this condition applies, before the Day (if any) specified in the direction made pursuant to that sub-paragraph.
Chapter 10: Compliance Activities
Special Condition 10A. Undertaking from ultimate controller concerning non-discrimination between the NTS Transportation Owner Activity and the Distribution Network Transportation Activity.

1. Consistently with the undertaking to be procured under paragraph 2 below, where the licensee:

   (a) procures services from a DN operator, which has an ultimate controller which is also an ultimate controller of the licensee; and/or

   (b) provides services to such DN operator,

the licensee shall enter into and comply with written arrangements for the provision and/or procurement of services between the licensee and such DN operator. Such arrangements are to be entered into on arm’s-length commercial terms having the same effect as, and not being unduly different from, those which would apply if the licensee entered into a contract with a relevant gas transporter to provide and/or procure the same services (regardless of whether such contract exists or not).

2. The licensee shall procure from each company or other person which is at any time an ultimate controller of the licensee and also an ultimate controller of a DN Operator, a legally enforceable undertaking in favour of the licensee in the form specified by the Authority that the ultimate controller will instruct, direct and procure that the licensee shall:

   (a) conduct its transportation business in a manner best calculated to secure that the businesses of DN operators, which have an ultimate controller which is also an ultimate controller of the licensee, do not obtain any unfair commercial advantage (including any such advantage from a preferential or discriminatory arrangement); and

   (b) enter into and comply with written arrangements, which if the businesses of such DN operators did not have an ultimate controller which is also an ultimate controller of the licensee, would be a contract on arm’s-length commercial terms.

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3. The licensee shall:

(a) deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with its obligation to procure undertakings pursuant to paragraph 2;
(b) inform the Authority immediately in writing if the directors of the licensee become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached; and
(c) comply with any direction from the Authority to enforce any such undertaking; and shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or any of the subsidiaries of any such corporate ultimate controller (other than the subsidiaries of the licensee) at a time when:
   (i) an undertaking complying with paragraph 2 is not in place in relation to that ultimate controller; or
   (ii) there is an unremedied breach of such undertaking; or
   (iii) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 3 of this condition.

4. In this condition, “relevant gas transporter” shall have the meaning given in Standard Special Condition A3 (Definitions and Interpretation) save that it shall exclude the licensee and a DN operator which has an ultimate controller which is also an ultimate controller of the licensee.
Special Condition 10B. Separation of NTS and Distribution Network Businesses

1. The licensee, in carrying out its gas transportation business in respect of the NTS, shall forthwith put in place and at all times maintain such managerial and operational systems which are necessary to ensure that the licensee complies with the obligations contained in Standard Special Condition A6 (Conduct of the Transportation Business) and Standard Special Condition A35 (Prohibition of Cross-Subsidies).

2. Unless otherwise directed by the Authority, the licensee shall by no later than 1 May 2005 have in place a statement (“the statement”), approved by the Authority, describing the practices, procedures and systems which the licensee has adopted (or intends to adopt) to secure compliance with paragraph 1.

3. Where the Authority does not indicate otherwise within 60 days of receipt of the statement, the statement shall be deemed to be approved by the Authority.

4. The statement shall in particular (but without prejudice to the generality of paragraph 1) set out how the licensee shall:

   (a) maintain appropriate managerial and operational independence of the transportation business in respect of the NTS from any associated gas transporter business;

   (b) secure that no breach of the requirements of paragraph 1 shall occur as a result of any arrangements for access by any associated gas transporter business or by any person engaged in, or in respect of, the associated gas transporter business with respect to:

      (i) premises or parts of premises occupied by persons engaged in, or engaged in respect of, the management or operation of the transportation business in respect of the NTS;

      (ii) systems for the recording, processing or storage of data to which persons engaged in, or engaged in respect of, the management or operation of the transportation business in respect of the NTS have access;
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(iii) equipment, facilities or property employed for the management or operation of the transportation business in respect of the NTS; or

(iv) the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the transportation business in respect of the NTS; and

(c) manage the transfer of employees from the transportation business in respect of the NTS to any associated gas transporter business.

5. Not used

6. The licensee shall revise the statement prepared in accordance with paragraph 2 when circumstances change so that the statement prepared in accordance with paragraph 2 no longer secures compliance with paragraph 1. Such revision of the statement shall only become effective once the Authority has approved the revised statement in accordance with paragraphs 2 or 3.

7. The licensee shall use its best endeavours to ensure compliance with the terms of the statement as from time to time revised and approved by the Authority.

8. The licensee shall publish a copy of the approved statement prepared in accordance with paragraph 2 (or the latest approved revision) on its company website within five working days of its approval by the Authority.

9. In this condition “associated gas transporter business” means a DN operator which has an ultimate controller which is also an ultimate controller of the licensee.
Special Condition 10C. Appointment and duties of the business separation compliance officer

1. The licensee shall ensure, following consultation with the Authority that a competent person (who shall be known as the “business separation compliance officer”) shall be appointed for the purpose of facilitating compliance by the licensee with Standard Special Condition A6 (Conduct of Transportation Business), Special Condition 10B (Separation of NTS and Distribution Network Businesses), Special Condition 10A (Undertaking from ultimate controller concerning non-discrimination between the NTS transportation activity and the Distribution Network Transportation Activity) and Standard Special Condition A35 (Prohibition of Cross Subsidies) (together, the “relevant duties”). The business separation compliance officer may be the same person as is appointed as compliance officer under Standard Special Condition A34 (Appointment of Compliance Officer).

2. The licensee shall at all times ensure that the business separation compliance officer is engaged for the performance of such duties and tasks as are appropriate for the purpose specified in paragraph 1, which duties and tasks shall include those set out at paragraph 6.

3. The licensee shall establish a compliance committee (being a sub-committee of the board of directors of the licensee) for the purpose of overseeing and ensuring the performance of the duties and tasks of the business separation compliance officer set out in paragraph 2 and the compliance of the licensee with its relevant duties. Such compliance committee shall report to the audit committee of the ultimate controller and shall include among its members such person in the licensee’s business as is responsible for the management of regulatory issues relating to the licensee.

4. The licensee shall procure that the business separation compliance officer:
   
   (a) is provided with such staff, premises, equipment, facilities and other resources; and

   (b) has such access to the licensee’s premises, systems, information and documentation as, in each case, he might reasonably expect to require for the fulfilment of the duties and tasks assigned to him.

5. The licensee shall make available to the business separation compliance officer a copy of any complaint or representation received by it from any person in respect of a matter arising under or by virtue of the relevant duties.

6. The duties and tasks assigned to the compliance officer shall include:

   (a) providing advice and information to the licensee (including individual directors of the licensee) and the compliance committee established under paragraph 3 of this condition for the purpose of ensuring the licensee’s compliance with the relevant duties;

   (b) (monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with the statement referred to at paragraph 2 of Special Condition 10B (Separation of NTS and Distribution Network Businesses);
(c) advising whether, to the extent that the implementation of such practices, procedures and systems require the co-operation of any other person, they are designed so as reasonably to admit the required co-operation;

(d) investigating any complaint or representation made available to him in accordance with paragraph 5;

(e) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;

(f) providing relevant advice and information to the licensee (including individual directors of the licensee) and the compliance committee established under paragraph 3 of this condition, for the purpose of ensuring its implementation of:

   (i) the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 2 of Special Condition 10B (Separation of NTS and Distribution Network Businesses); and

   (ii) any remedial action recommended in accordance with sub-paragraph (e); and

(g) Not used

(h) reporting annually to the compliance committee established under paragraph 3 of this condition, in respect of each year after this condition comes into force, as to his activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to him by the licensee.

7. As soon as is reasonably practicable following each annual report of the business separation compliance officer, the licensee shall produce a report:

(a) as to its compliance during the relevant year with the relevant duties; and

(b) as to its implementation of the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 2 of Special Condition 10B (Separation of NTS and Distribution Network Businesses).

8. The report produced in accordance with paragraph 7 shall in particular:

(a) detail the activities of the business separation compliance officer during the relevant year;

(b) refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems adopted in accordance with the statement at paragraph 2 of Special Condition 10B (Separation of NTS and Distribution Network Businesses); and

(c) set out the details of any investigations conducted by the business separation compliance officer, including:

   (i) the number, type and source of the complaints or representations on which such were based;

   (ii) the outcome of such investigations; and

   (iii) any remedial action taken by the licensee following such investigations.

9. The licensee shall, as soon as reasonably practicable, submit to the Authority a copy of the report produced in accordance with paragraph 7 of this condition, and shall publish the report on its website.

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Special Condition 10D. Prohibited Procurement Activities

1. Subject to paragraph 2, the licensee shall not either on its own account or on behalf of:
   (a) any affiliate or related undertaking of the licensee; and/or
   (b) any other business operated by the holder of this licence or its affiliates or related undertakings under a separate gas transporter licence for a relevant gas transporter,

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

2. The prohibition in paragraph 1 of this condition shall not apply if the transactions referred to in paragraph 1 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 1(a) and 1(b) other than the licensee, provided that, in respect of each case, such affiliate or related undertaking holds a relevant licence, issued by the Authority, or is otherwise exempted from the requirement to hold such a licence, and that such licence or exemption does not prohibit such transactions;
   (b) with the prior written 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 and/or constraint management provided that such transactions:
      (i) are conducted on economic and efficient terms, and
      (ii) facilitate the economic and efficient operation of the transportation system.
Chapter 11: Other Conditions
Special Condition 11A. Disapplication of Relevant Special Conditions

Introduction

11A.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 such a request in the circumstances specified below.

Part A: Conditions are to continue subject to disapplication

11A.2. The Relevant TO Special Conditions and Relevant SO Special Conditions apply for as long as this licence continues in force, but will cease to have effect (in whole or in part) if the Licensee serves a Disapplication Request on the Authority in accordance with the provisions of Parts B and C below and:

(a) the Authority agrees in writing to the Disapplication Request; or

(b) the application of the Relevant TO Special Conditions or Relevant SO Special Conditions (in whole or in part) is terminated by notice given by the Licensee in accordance with the provisions of Part D below.

Part B: Procedure for making a Disapplication Request

11A.3. The Licensee may ask the Authority to consent to the disapplication of the Relevant TO Special Conditions or Special SO Special Conditions (in whole or in part) by serving a Disapplication Request on the Authority under this condition.

11A.4. A Disapplication Request must:

(a) be in writing and addressed to the Authority;

(b) specify which of the Relevant TO Special Conditions Relevant SO Special Conditions (or any part or parts of them) the request relates;

(c) provide a full statement of the Licensee’s reasons for making the request;

(d) contain such other information or analysis as the Licensee considers sufficient to enable the Authority to fully assess the Disapplication Request;

(e) state the date that is proposed by the Licensee (which must not be earlier than the appropriate date that is mentioned in Part C below) 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 (the “Disapplication Date”); and

(f) specify which part of the Transportation System the request relates.

11A.5. A Disapplication Request served under this condition may be served in respect of a specified geographical area.
11A.6. If, within 28 days of receipt of a Disapplication Request, the Authority gives notice to the Licensee:

(a) specifying further information or analysis that it reasonably considers is required in order to fully assess the Disapplication Request, and

(b) requests the Licensee to provide that information or analysis,

the Disapplication Request will be treated for the purposes of paragraph 11A.8 of this condition as not served on the Authority until that further information or analysis has been provided to the Authority and, if in consequence the Disapplication Date set out in the Disapplication Request no longer complies with paragraph 11A.8 below, the Disapplication Date will be treated as being the earliest date that would comply with that paragraph.

11A.7. The Licensee may withdraw a Disapplication Request at any time.

**Part C: Date from which a disapplication may take effect**

11A.8. Except where the Authority otherwise consents, a disapplication following the service of a Disapplication Request may not have effect until a date that is no earlier than 18 months after the service on the Authority of the Disapplication Request.

**Part D: Licensee’s right to terminate under a Disapplication Request**

11A.9. If the Licensee has served on the Authority a Disapplication Request that complies with the requirements of Parts B and C of this condition, it may subsequently give the Authority a notice (a “Disapplication Notice”) that terminates the application of some or all of the provisions of this Licence specified in that request:

(a) in the circumstance described in Part E; or

(b) in the circumstance described in Part F,

but 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 C.

**Part E: Termination without involvement of the Competition Commission**

11A.10. The circumstance referred to in paragraph 11A.9(a) above is that by the beginning of the period of six months that would end on 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 Notice under paragraph 11A.9 in respect of the relevant Disapplication Request.

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Part F: Termination after involvement of the Competition Commission

11A.11. The circumstance referred to in paragraph 11A.9(b) above is that the Authority has published a decision as described in paragraph 11A.10(a) or 11A.10(b) above and:

(a) the Licensee has exercised its right to appeal to the Competition Commission against that decision of the Authority as provided for by section 23B of the Act;

(b) the Competition Commission, acting under section 23F of the Act has, in respect of the provision to which the Disapplication Notice relates: (i) quashed the Authority’s decision and (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 Commission quashes the decision in the circumstances described in paragraph 11A.11(b) above.
Special Condition 11B. Allocation of revenues and costs for calculations under the price control in respect of the NTS Transportation Owner Activity and NTS System Operation Activity

Introduction

11B.1 This condition sets out how the Licensee must allocate revenues and costs for the purposes of calculating any of the values referred to in the Special Conditions contained within Chapters 2, 3, 5 and 6.

11B.2 The 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 submit 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

11B.3 Unless the Authority otherwise directs in writing, 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 Chapters 2, 3, 5 and 6 must conform to the principles set out in paragraphs 11B.4, 11B.5 and 11B.6.

11B.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.

11B.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 either itself or:

(a) any other business carried on by the Licensee or by any Affiliate or Related Undertaking of the Licensee under a separate licence (whether or not that licence is held within the same legal entity that holds this licence); or

(b) the business of any individual Distribution Network; and/or

(c) any other company or organisation.

11B.6 Principle 3 is that, wherever practicable, the Licensee must perform all allocations and attributions on a consistent basis from one Formula Year to the next.

Part B: Allocation and attribution as between principal activities

11B.7 To the extent relevant to its activities, the Licensee must 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;
Part C: Statement of the methods to be used by the Licensee

11B.8 Unless the Authority otherwise directs, the Licensee must, by not later than 31 July in each Formula Year, prepare and submit to the Authority a statement (“the methods 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.

11B.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 above.

11B.10 Where the basis of such allocations or attributions has changed from one year to the next, the methods statement must also indicate and explain how and why that basis has been changed.

11B.11 The Licensee must use reasonable endeavours to comply with the methods statement for the time being in force under this condition.

Part D: Power of the Authority to direct re-allocation and re-attribution

11B.12 The Licensee must re-allocate revenue earned by the Licensee or re-attribute costs incurred by the Licensee to the activities specified in Part B above in accordance with any direction made by the Authority in writing within three months after its receipt of the methods statement so that the Licensee’s allocations or attributions (as the case may be) comply with the principles set out in Part A above.

Part E: Preparation and submission of the methods report

11B.13 Unless the Authority otherwise consents, the Licensee must, by not later than four months after the end of each Formula Year, prepare and submit to the Authority a report (“the 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 of this condition 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.

11B.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 they have 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 above; and

(b) gives an opinion as to the extent to which the Licensee has properly prepared the methods report.

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11B.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 11C. Services treated as Excluded Services

Introduction

11C.1 The purpose of this condition is to set out the basis on which certain services provided by the Licensee may be treated as Excluded Services under the Special Conditions.

11C.2 Excluded Services are services that comply with the General Principle set out in Part B below and that include, without limitation, those services listed in paragraph 11C.10.

11C.3 Excluded Services are services provided by the Licensee for which revenue is derived but is excluded from MR, as defined in Special Condition 2A (Restriction of NTS Transportation Owner Revenue) and SOMR, as defined in Special Condition 3A (Restriction of NTS System Operation Revenue).

Part A: Structure of this condition

11C.4 Part B of this condition sets out the General Principle that applies for the purpose of determining which of the services provided by the Licensee are to be treated as Excluded Services.

11C.5 Part C of this condition sets out, without limitation, certain categories of services provided by the Licensee that are to be treated as Excluded Services.

11C.6 Part D of this condition provides for the Authority to give directions in respect of services provided by the Licensee that are to be treated as Excluded Services. It also provides for the Authority to direct that any service should not be treated as Excluded Services.

Part B: Statement of General Principle

11C.7 The General Principle is that a service provided by the Licensee as part of its Transportation Business in respect of the NTS is to be treated as an Excluded Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 11C.8.

11C.8 The charges referred to in paragraph 11C.7 are:

(a) NTS Transportation Owner Charges;

(b) NTS System Operation Charges; and

(c) charges arising from any activity carried out under the Network Innovation Competition which results in Returned Royalty Income.

Part C: Categories of Excluded Services

11C.9 The descriptions of categories of Excluded Services set out at paragraph 11C.10 are to be read and given effect subject to any further clarification of any of those descriptions that might be set out in the RIGS issued by the Authority under Standard Special Condition A40 (Regulatory Instructions and Guidance).

11C.10 Subject to Part D of this condition, Excluded Services shall include, but not limited to, the following Services:
ES1. 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 mentioned at paragraph 11C.8).

ES2. Rechargeable Diversions: 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 an Excluded Service).

ES3. Works required by any alteration of premises: This category consists of the moving of any gas pipes or plant that forms part of the Transportation System to which this licence relates to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.

ES4. Telecommunications and information technology infrastructure services: This category consists of the allowing of the use of any assets forming part of the Transportation System to which this licence relates to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.

ES5. 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.

ES6. User pays agency services: This category consists of the provision of ‘user pays’ services or systems as set out in the Network Code, by the Agency referred to in Standard Special Condition A15 (Agency) (for as long as that condition is in force); When Standard Special Condition A15A comes into force user pays agency services will no longer be categorised as Excluded Services.

ES7. 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 Table 4B in Special Condition 5F.27 as an interconnection point, or in Table 8 in Special Condition 5G.31 as an interconnector, which may lead to the provision of a joint notice published under the Uniform Network Code, European Interconnection Document Section E.

ES8. 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 and NTS System Operation Activity.
Part D: Authority's power to give directions

11C.11 Where the Authority (having regard to the General Principle) is satisfied:

(a) that any service treated by the Licensee as an Excluded Service should not be so treated; or

(b) that any service not treated by the Licensee as an Excluded Service should be so treated,

it may give the Licensee a direction to that effect.

11C.12 Where a direction is given under paragraph 11C.11, the Licensee must, in accordance with the Direction, either:

(a) stop treating the service or services specified in the direction as Excluded Services; or

(b) begin treating the service or services specified in the direction as Excluded Services,

from the date of the direction or such later date as may be specified in it.
Special Condition 11D. Energy Administration, Energy Supply Company Administration and Smart Meter Communication Licensee Administration: NTS Shortfall Contribution Obligations

(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 activities ("charges") to raise such amounts as are specified by the Secretary of State in a shortfall direction:

(i) from the persons; and

(ii) in the manner,

specified in such shortfall direction, and to pay such amounts to the persons specified in the shortfall direction.

(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 (including one or more shortfall directions to modify or replace any previously issued shortfall direction or 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 persons to whom the amount referred to in sub-paragraph (b) above is to be paid ("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) above, 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) above (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) above (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) above is to be applied in discharging those debts;

(h) the extent to which a subsequent 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 5 below; and

(j) the amount the licensee is permitted to raise and retain for administering the mechanism contained in this condition (“permitted administration fee”) and the manner in which the permitted administration fee is to be raised,

and the licensee shall comply with any such shortfall direction.

(3) As soon as reasonably practicable after receiving a shortfall direction, the licensee shall:

(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 agreed with 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 such charges shall be paid;

(iii) the reason for those modifications; and

(iv) the interest rate applicable to late payment of such modified charges.

(4) The licensee shall on or before the date (or dates) specified in the shortfall direction pay the amount raised under sub-paragraph 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. For the avoidance of doubt the licensee shall not at any time be under any liability:

(i) 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
(ii) to pay interest 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 monies to the licensee.

(5) Save where the Secretary of State specifies otherwise in a shortfall direction modifying or replacing a previously issued shortfall direction, if the amount raised by the licensee under sub-paragraph 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 shall:

(i) as soon as 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 reasonably practicable but otherwise in accordance with 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 shall as soon as reasonably practicable, further modify its charges 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 the excess together with any accrued interest thereon.

(6) For the purposes of sub-paragraph 3(a) and paragraph 5:

(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 and/or the uniform network code and any charges levied by the licensee after modification pursuant to sub-paragraph 3(a) or paragraph 5 of this condition shall 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) as from time to time amended;

(b) the licensee shall not enter into any agreement with another party which does not permit it to vary its charges in pursuance of this condition and shall 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 shall 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 such differences in charges are required to give effect to the shortfall direction.

(7) The licensee shall, immediately after making any payment under paragraphs 4 or 5 above, 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.

(8) In calculating the licensee’s revenue during any period for the purposes of the charge restriction conditions, any change in the licensee’s revenue attributable to the licensee’s compliance with this condition shall be treated as if it had not occurred.

(9) The licensee shall prepare, in respect of each period of 12 months ending on 31 March in which its charges are modified in pursuance of sub-paragraph 3(a) or paragraph 5, a statement showing:

(a) the aggregate amount of its revenue derived from any modification to charges in pursuance of sub-paragraph 3(a);

(b) the aggregate amount of its revenue derived from any modification to charges in pursuance of sub-paragraph 5(a);

(c) the aggregate amount of the change in its revenue resulting from any modification to charges in pursuance of sub-paragraph 5(b); and

(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, sub-paragraph 5(a),

and shall give the statement to the Authority within four months of the expiration of the period to which it relates.

(10) On giving the statement mentioned in paragraph 9 to the Authority, the licensee shall also publish it on its website.

(11) In this condition:

(a) any words or expressions used in Chapter 3 of Part 3 of the Energy Act 2004 shall, unless the contrary intention appears, have the same meaning as they do in that Chapter when used in this condition;

(b) any words or expressions used in Chapter 5 of Part 2 of the Energy Act 2011 shall, unless the contrary intention appears, have the same meaning as they do in that Chapter when used in this condition;

(c) any words or expressions used in the Smart Meters Act 2018 shall, unless the contrary intention appears, have the same meaning as they do in that Act when used in this condition;

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 – 10 December 2019
(d) “charge restriction condition” means any condition (including, without limitation, any revenue restriction condition) of this licence which places a monetary limitation on the revenue which may be recovered by the licensee during a given period; and

(e) “shortfall direction” means a direction issued by the Secretary of State for the purpose of meeting any “relevant debt”, within the meaning given to those words:

(i) in relation to energy administration, in section 169(4) of the Energy Act 2004;

(ii) in relation to energy supply company administration, section 99 (4) of the Energy Act 2011;

(iii) in relation to smart meter communication licensee administration, in section 7(4) of the Smart Meters Act 2018,

(including (A) any modifications to such direction made by any subsequent shortfall direction, or (B) any shortfall direction replacing a previous shortfall direction).
Special Condition 11E. Restriction of Prices for Liquefied Natural Gas (LNG) Storage Services

1. (a) The licensee shall ensure that the charges made by the licensee for:
   (i) the provision of Operating Margins; and
   (ii) the supply of LNG storage services to any DN Operator whose transportation system includes independent systems which are operated using LNG

   for the relevant year commencing on 1 May 2013 and each subsequent relevant year are the charges set out in Tables 1 and 2 below.

**TABLE 1**

<table>
<thead>
<tr>
<th>LNG storage facility</th>
<th>Reserved space (pence per kWh per annum)</th>
<th>Reserved deliverability (pence per peak day kWh per annum)</th>
<th>Storage injection (pence per kWh)</th>
<th>Storage withdrawal (pence per kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avonmouth</td>
<td>W</td>
<td>Y</td>
<td>0.519 * LNGSPIT_t</td>
<td>0.052 * LNGSPIT_t</td>
</tr>
</tbody>
</table>

Where:

**W** equals a price in pence per kWh per annum which is the higher of

3.189 * LNGSPIT_t or 0.85 * WAHAPSS_t.

**Y** equals a price in pence per peak day kWh per annum which is the higher of

2.932 * LNGSPIT_t or 0.15 * WAHAPSS_t

**WAHAPSS_t** equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee’s LNG storage facility at Avonmouth, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the relevant year

**TABLE 2**
TANKER CHARGES

<table>
<thead>
<tr>
<th>Description</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanker filling slots</td>
<td>£7493.75 * LNGSPIT_\text{t} per annum</td>
</tr>
<tr>
<td>Tanker filling charge</td>
<td>£545.00 * LNGSPIT_\text{t} per tanker filled or partially filled</td>
</tr>
</tbody>
</table>

LNGSPIT_\text{t} is the price indexation adjustment term, which shall be calculated using the following formula:

\[
LNGSPIT_\text{t} = \left(1 + \frac{\text{RPI}_t}{100}\right) \times LNGSPIT_{\text{t-1}}
\]

where LNGSPIT shall take the value 1 in respect of the relevant year commencing 1 May 2007 only and RPI_\text{t} shall be as follows:

\textit{RPI}_\text{t} means the percentage change (whether of a positive or a negative value) in the arithmetic average of the retail prices index published or determined with respect to each of the six months from July to December (both inclusive) in relevant year \(t-1\) and the arithmetic average of the retail prices index numbers published or determined with respect to the same months in relevant year \(t-2\).

(b) The Authority may direct in writing that the requirement set out in paragraph 1(a) shall be suspended for such period of time as the Authority may specify in respect of (i) the provision of Operating Margins and/or (ii) the supply of LNG storage services to any DN Operator whose transportation system includes independent systems which are operated using LNG. Such a direction may be made in respect of one or more LNG storage facility and/or in respect of one or more Operating Margins requirements. For the purposes of this condition only, “Operating Margins requirements” means the Operating Margins procured by the licensee for:

- Supply loss and forecast demand change;
- Compressor failure and pipeline failure, which is further subdivided into:
  - Locational – South;
  - Locational – West;
Special Conditions to National Grid Gas Plc’s (NTS) Gas Transporter Licence – 10 December 2019

2. For each relevant year for which, and to the extent to which, the licensee charges for the supply of LNG storage services in accordance with paragraph 1 of this condition the licensee, so far as concerns LNG storage arrangements, shall be deemed to have complied for that relevant year with the provisions of Standard Special Conditions A4 (Charging – General) and A5 (Obligations as Regard Charging Methodology).

3. The licensee shall provide a report in writing to the Authority stating the volume and price of all Storage Capacity sold in respect of each relevant year. This report shall be provided to the Authority as soon as reasonably practicable and in all circumstances by no later than 31 August following the end of the relevant year to which it relates.

4. In this condition "Operating Margins" and "Storage Capacity" shall bear the meaning given to those terms in the licensee’s network code as at 16 March 2007.

5. For the purposes of this condition only "relevant year" means a period of twelve months commencing on 1 May at the start of the Day (as defined in the Uniform Network Code).

6. In this condition "Safety Case" means the safety case prepared by the licensee pursuant to the Gas Safety (Management) Regulations 1996.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Special Condition 11F: Gas conveyed to Independent Systems

Introduction

11F.1 This condition comes into force and has effect in this Licence in accordance with the provisions of Part A below.

11F.2 The purpose of this condition is to put in place a framework that will provide for the continuation of the cross-subsidy arrangements that were in force under this Licence at 31 March 2013 (“the arrangements”) with respect to Independent Systems in the event that the Secretary of State issues a new direction to that effect.

11F.3 The framework requires the Licensee to recover amounts from Gas Shippers and then pay those amounts to DN Operators and Relevant Shippers in order to facilitate the continuation of the arrangements.

Part A: Relevant directions with respect to this condition

11F.4 The framework described above applies with respect to the Licensee from the date on which the Secretary of State has issued a direction requiring the Licensee to do all such things under this condition as are necessary to secure the continuation of the arrangements.

11F.5 On or at any time after the date of any direction under paragraph 11F.4, the Authority may bring this condition into force in this Licence by issuing a direction for that purpose to the Licensee.

11F.6 A direction under paragraph 11F.5 may give effect to different parts of this condition in such manner as is specified in the direction and at such different times as may be so specified or are to be determined in accordance with its provisions.

Part B: Requirements relating to the Bulk Price Differential

11F.7 The Licensee must, subject to it having received all the information it requires from DN Operators to enable it to do so, by 30 April in each Formula Year and in respect of each Independent System:

(a) make a reasonable estimate of the Bulk Price Differential for that Formula Year (BPDE_t); and

(b) calculate, in each Formula Year commencing on and after 1 April 2014, any adjustment (whether of a positive or negative amount) (BPDADJ_t) in Formula Year t which relates to the difference between:

(i) its estimate of the Bulk Price Differential for the preceding Formula Year (BPDE_{t-1}); and
(ii) the actual amount of the Bulk Price Differential in that preceding Formula Year (BPDA_{t-1}),

in accordance with the following formula:

\[ BPDADJ_t = BPDA_{t-1} - BPDE_{t-1}. \]

For the avoidance of doubt, the Licensee must calculate the value of BPDADJ_t for the Formula Year commencing on 1 April 2013 in accordance with that term as it was in force in this Licence as at 31 March 2013.

11F.8 The Licensee must, in respect of each Independent System, pay to the Relevant Shipper a proportionate amount of the sum of the amounts calculated pursuant to paragraph 11F.7 (BPDE_t + BPDADJ_t) on a quarterly basis (or at such other intervals of time as may be agreed with the Relevant Shipper) during the Formula Year in which the calculation in paragraph 11F.7(b) was required to be made.

**Part C: Requirements relating to Distribution Network additional costs**

11F.9 The Licensee must pay to the relevant DN Operator the amount that is applicable to that operator by virtue of Table 1 below (denoted by either the term SGNACP or the term WWUACP, as the case may be) in respect of the additional costs of serving the customers connected to those Independent Systems operated by that DN Operator ("additional costs payments"), subject to such adjustment as may be necessary by virtue of paragraph 11F.10.

11F.10 The additional costs payments must, prior to payment, be adjusted to take account (in the form of either the term ACPS or the term ACPW, as the case may be) the price index adjustment factor in Formula Year t as follows:

\[ ACPS_t = SGNACP_t \times RPIF_t \]

or

\[ ACPW_t = WWUACP_t \times RPIF_t \]

where:

\[ RPIF_t \]

has the value given to it by Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue).
Table 1: Transportation charges (£m, 2009/10 price levels)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Scotland Gas Networks plc (SGNACP₁)</td>
<td>-</td>
<td>23.306</td>
<td>17.226</td>
<td>11.468</td>
<td>11.491</td>
<td>11.514</td>
<td>11.537</td>
<td>11.561</td>
</tr>
<tr>
<td>Wales &amp; West Utilities Limited (WWUACP₁)</td>
<td>-</td>
<td>0.204</td>
<td>0.100</td>
<td>0.100</td>
<td>0.100</td>
<td>0.100</td>
<td>0.100</td>
<td>0.100</td>
</tr>
</tbody>
</table>

11F.11 The Licensee must pay to the relevant DN Operator a proportionate amount of the full amount represented by the term ACPS or ACPW (as the case may be) for the relevant Formula Year on a quarterly basis during that year or at such other intervals of time as may be agreed with the DN Operator to whom the payment is to be made.

Part D: Recovery and reporting of costs by the Licensee

11F.12 The Licensee must use reasonable endeavours to recover an amount equal to the total amount represented by:

(a) the sum of the amounts calculated pursuant to paragraph 11F.7 (BPDEₜ + BPDADJₜ); and

(b) the payments made to the relevant DN Operators under paragraph 11F.11 (ACPSₜ + ACPWₜ),

from Gas Shippers in the relevant Formula Year to which such amounts or payments (as the case may be) relate.

11F.13 For the purposes of Special Condition 2B (Calculation of allowed pass-through items) the term ISₜ will be calculated as:

\[ ISₜ = BPDEₜ + BPDADJₜ + ACPSₜ + ACPWₜ \]
11F.14 The Licensee must by 31 July in each relevant Formula 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 Formula Year pursuant to paragraph 11F.8; and

(b) each of the payments made by the Licensee to DN Operators in the previous Formula Year pursuant to paragraph 11F.11.

11F.15 The statement submitted under paragraph 11F.14 must be in such form and provide such detail as the Authority may reasonably require.

**Part E: Interpretation**

11F. 16 For the purposes of this condition, the following definitions apply:

**Bulk Price Differential** means the volume of LPG conveyed to consumers who are connected to each relevant Independent System in the relevant Formula 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;

**Relevant Shipper** has the meaning given to the term “relevant shipper” in Standard Special Condition A3, except that, for the purposes of this condition 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.
Special Condition 11G: Application of Special Condition 11H

1. Subject to the operation of this condition, Special Condition 11H (Restriction of prices in respect of Tariff Capped Metering Activities) (in whole or in part) shall not be in effect in this licence.

2. If the Authority consents, pursuant to section 8AA of the Act, to the transfer of the gas transporter licence as held (as at 1 April 2016) by National Grid Gas plc (the company registered in England and Wales under company number 02006000) in respect of its distribution networks, the Authority may issue a direction to the licensee specifying that Special Condition 11H shall be in effect within this licence from the date of such consent.
Special Condition 11H: Restriction of prices in respect of Tariff Capped Metering Activities

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

Principal restriction.

2. The licensee in setting its charges for each of its Tariff-Capped Metering Activities in any Formula Year shall not exceed the maximum tariff cap \( M_t^A \) in respect of that metering activity in respect of that Formula Year.

Maximum tariff caps (\( M_t^A \))

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

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

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
<th>Maximum tariff caps (( M_t^A ))</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Annual charge for providing and maintaining the assets that form a Domestic Credit Meter Installation, per meter per annum</td>
<td>£14.68</td>
</tr>
</tbody>
</table>
2 Annual charge for providing and maintaining the assets that form a Prepayment Meter Installation, per meter per annum £36.73

3 Annual charge for providing a daily meter reading for Daily Metered Supply Meter Points, per supply meter point per annum £500.10

4 Carrying out work to replace a Domestic Credit Meter with a Prepayment Meter, per job undertaken £78.67

(b) For subsequent Formula Years:

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

where:

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

**Departure from published statements of charges in respect of Tariff-Capped Metering Activities**

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 – 10 December 2019
4. Where the licensee wishes to depart from its published statement of charges prepared in accordance with Standard Special Condition B8 (Provision of Terms) in respect of the provision of Tariff Capped Metering Activities by increasing its charges to a supplier to a level which would in any given Formula Year result in a breach of its obligations under paragraph 2 of this condition:

(a) in consequence of that supplier having wholly or partly disposed of its meters; or

(b) where it reasonably considers that the departure is necessary to comply with its duty in paragraph 4 of Standard Special Condition B8 (Provision of Terms),

the licensee shall make a written application to the Authority specifying why the change is requested, providing specification of the metering activities to be provided to that supplier, the proposed level of charge broken down between the different types of metering activities to be provided to that supplier together with such other information to support its application as the Authority may reasonably specify in writing.

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

(a) the Authority confirms in writing that it consents to such charges with or without amendment and to such extent and on the basis of such terms and conditions as the Authority may specify; or

(b) if the Authority has not issued a direction to the licensee requiring the licensee not to exceed the maximum tariff cap within 90 Days after receipt of the application.

6. Subject to any direction given by the Authority, the maximum tariff caps for Activity 1 and Activity 2 within paragraph 3(a) of this condition shall cease to have effect on the date specified in a direction made by the Secretary of State, in respect of the installation of a Smart Metering System, (as defined in condition 1 (Definitions for standard
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 – 10 December 2019

conditions), of the standard conditions of the gas supply licence), in accordance with his powers under condition 33.6 (The duty in relation to replacement meters and new customers) of the standard conditions of the gas supply licence.

7. Subject to any direction given by the Authority, this condition shall cease to have effect on the date specified in condition 33.1 of the standard conditions of the gas supply licence (the date by which the duty to roll out a smart metering system must be fulfilled).

8. For the purposes of this condition:

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

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

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

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