

Phoenix Natural Gas Limited Price Determination

PNGL12

Licence Modifications required to give effect to the
conclusions of the Competition Commission
in relation to the Phoenix Natural Gas Limited
price control conditions

15 February 2013

Final

The Utility Regulator

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Acronyms and Glossary

Capex	Capital expenditure
Commission	The Competition Commission
firmus	firmus energy (Distribution) Ltd
GD14	This is the name given to the next price control for PNGL and firmus which will take effect from January 2014.
Licence	The PNGL gas conveyance licence
Opex	Operating expenditure
OAV	Opening Asset Value
PC03	This is the name given to the price control for PNGL, which ran during the calendar years from 2007 to 2011
PNGL	Phoenix Natural Gas Limited
PNGL12	This is the name given to the price control for PNGL, covering calendar years 2012 and 2013
RPI	Retail Price Index
TRV	Total Regulatory Value
UR	Utility Regulator (the Northern Ireland Authority for Utility Regulation)

1 Introduction

A. Purpose of Document

- 1.1 The purpose of this document is to provide a brief summary of the conclusions of the Competition Commission (the **Commission**) as set out in its report in relation to the Phoenix Natural Gas Limited (**PNGL**) price control. The 'price control' means the control which is set out in conditions 2.3.8 to 2.3.26 (inclusive) of the PNGL gas conveyance licence (the **Licence**) and which applies during the period 2012-2013. The price control for this period is referred to as **PNGL12**.
- 1.2 This document also provides some explanation of the licence modifications which the Utility Regulator (**UR**) is proposing to make, because they appear to it to be requisite to give effect to the conclusions of the Commission. This serves to supplement the explanation included in the UR's formal notice published under Article 17(4) of the Gas (Northern Ireland) Order 1996 (the **Order**). The Article 17(4) notice is reproduced as an Annex to this document.
- 1.3 This document will also provide clarity of our intent to review certain elements of the TRV in future price controls, in line with our statutory duties.

B. Background

- 1.4 To recap briefly, PNGL12¹, a price control for PNGL covering calendar years 2012 and 2013, was determined by the UR and published on 6 January 2012.
- 1.5 On 6 February 2012, PNGL served a notice disapplying this determination and rejecting the associated licence modifications.
- 1.6 In accordance with the Licence, when PNGL disapplies a price control determination by the UR, the previous price control will continue in effect and the UR must use its power under Article 15(1) of the Order to refer the matter to the Commission if it still seeks to modify that control.
- 1.7 The role of the Commission when a reference is made to it under Article 15(1) is to inquire into and report on whether or not the price control conditions operate in the public interest or require amendment.
- 1.8 The Commission delivered its report, which it called its 'price determination', to the UR on 28 November 2012.
- 1.9 Under the Order, the UR was required to send the Commission's report to the Department of Enterprise Trade and Industry (**DETI**), and allow DETI 14 days to decide whether the publication of any part of the report would be prejudicial to any

¹ Phoenix Natural Gas Limited Price Control Review 2012-2013 Final Decisions, January 2012: http://www.uregni.gov.uk/uploads/publications/PNGL12_Final_Decisions_FINAL.pdf

individual or body. DETI indicated that it had no concern as to the publication of the Commission's report.

- 1.10 Therefore, on 19 December 2012, the UR published the Commission's report on its website².

²http://www.competition-commission.org.uk/assets/competitioncommission/docs/2012/phoenix-natural-gas-limited/phoenix_natural_gas_limited_price_determination.pdf

2 Competition Commission Report

- 2.1 For a full understanding of the Commission's report it is necessary to read the full document but the extract below summarises its key conclusions:

“Final determination

9.125 We conclude that the existing price control arrangements are not in the public interest and should be modified as outlined above.

9.126 We agree with the proposed revisions for opex and capex allowances made by UR, as well as the other changes made by UR in the PNG12 determination, except for UR's TRV adjustment. For the reasons set out above, we conclude that no revision should be made to the TRV, except to reflect the 1999/2000 capex deferrals that were not completed by the end of PC03 (including post-2006 capitalized financing benefits), together with an appropriate management fee of 5 per cent. We estimate this value at £8.6 million (see paragraph 6.72).

9.127 In addition, an adjustment should be made to the TRV for funding PNG1 twice for the same business rates expense. We estimate this value at £5 million (see paragraph 5.118).”

3 Licence Modifications as proposed by the Competition Commission

- 3.1 Licence modifications are required in order to implement the Commission's conclusions and address the adverse effects that the Commission identified.
- 3.2 The Commission is required under Article 16(1)(c) of the Order to specify licence modifications by which the adverse effects that it has identified could be remedied or prevented. The Commission has made no detailed drafting proposals, but provided general guidance on this issue.
- 3.3 Below is an extract from the section on licence modifications in the Commission's report:

"Licence modifications

9.128 *We are required by article 15(1)(bb) of the Gas Order and by our terms of reference to report on whether the matters which we have found operate, or may be expected to operate, against the public interest could be remedied or prevented by modifications of the relevant licence conditions.*

9.129 *We have found that in Condition 2.3 (Conveyance Charges), the following modifications should be made:*

- The value of TRV should be adjusted to reflect the 1999/2000 capex deferrals that were not completed by the end of PC03 (including post-2006 capitalized financing benefits), together with an appropriate management fee of 5 per cent. We estimate this value at £8.6 million (see paragraphs 9.72, 9.74 and 9.126).*
- An adjustment should be made for the effects of funding PNGL twice for business rates allowances. We estimate this value at £5.0 million (see paragraphs 9.93 and 9.127).*
- Modifications to give effect to the changes detailed in PNGL12 (with the exception of UR's proposed TRV adjustment of £74 million, instead implementing the two changes identified in the preceding bullet points) which include, for example, updated amounts for capex and opex (including a proportion of the costs incurred and borne by PNGL in this investigation) and which should result in PNGL's allowed revenues for 2012 and 2013 being £43.340 million and £44.688 million respectively (in 2010 prices).*

9.130 *Under article 17(3) of the Gas Order, UR is now required to give notice of the modifications to the relevant conditions of PNGL's licence UR proposes to make for the purpose of remedying or preventing the adverse effects we have specified in our report. After considering any representations or objections made to these proposals, UR must notify the CC of the proposed modifications and of the reasons for making the modifications.*

9.131 *Under the procedure set out in the Gas Order, the CC then has four weeks in which, if necessary, to direct UR not to make some or all of the proposed modifications, and to propose different modifications, which seem to the CC requisite for the purpose of remedying or preventing adverse effects specified in the CC's report."*

A. Modification to Determination Values and Designated Parameters

- 3.4 As set out in the PNGL gas conveyance license³, after a Price Control decision has been made on areas such as how much operating and capital costs PNGL should be allowed and duration of the price control, it is necessary to bring the decision into effect. Determination Values and Designated Parameters are the mechanisms in the licence which convert all the conclusions into formal decisions.
- 3.5 In addition to the Commission's conclusions and its views on licence modifications, the Commission provided a spreadsheet model to UR and PNGL. This model sets out the Commission's calculations in detail of the Determination Values. These incorporate the Commission's decisions on the costs of the Inquiry. The summary below highlights the Key Metrics of the Determination Values.

Table 1 – Allowances, £m (2010 Prices)

Cost Item	PNGL Submission			CC Decision			Difference	
	2012	2013	Total	2012	2013	Total	Total	Total, %
Opex allowance	15.9	16.2	32.1	14.4	13.4	27.8	-4.3	-13%
Capex allowance	12.5	11.7	24.2	12.5	11.7	24.2	0.0	0%
Total	28.4	27.9	56.3	26.9	25.1	52.0	-4.3	-13%
The allowed revenues for 2012 and 2013 are detailed in the row below.								
Allowed revenues	46.8	48.3	95.1	43.3	44.7	88.0	-7.1	-7%

Source: PNGL the Utility Regulator and Competition Commission

- 3.5 The Designated Parameters are as set out in the Article 17(4) notice. A copy of this notice is shown in the Annex to this document. For clarity the numbers are also given below:

Designated Parameter	Value
r_t (rate of return)	0.075
M (year price control begins)	2012
N (year price control ends)	2013
Q (year profile adjustment is calculated)	2046
RPI (inflation)	225.3

³ [http://www.uregni.gov.uk/uploads/publications/2012-09-28_Phoenix_Natural_Gas_Limited_\(Distribution\)_\(Modified_28-09-12\).pdf](http://www.uregni.gov.uk/uploads/publications/2012-09-28_Phoenix_Natural_Gas_Limited_(Distribution)_(Modified_28-09-12).pdf)

3.6 In order to give effect to the Commission’s calculations of the Determination Values and Designated Parameters we are proposing licence modifications to establish a process by which the UR can give notice to PNGL specifying the relevant values.

B. Modification to TRV

3.7 The TRV was created in 2007 as part of a new licence regime. This licence for the first time contained a standard ‘building block’ regulatory model, including a price control mechanism based explicitly on a regulated asset value. The determination of an opening asset value (OAV) was incorporated into the licence, which led to the foundation of the TRV.

3.8 In 2007, the agreed value of the TRV was £312.8m (2006 prices).

3.9 The Commission in its Determination of PNGL12, considered the components and made a decision on what was appropriate for each element of the TRV.

3.10 The Commission’s conclusions result in the TRV being set as £437.1m from 1 January 2012 (in 2010 prices). The TRV now consists of the following components:

Components	£ M
Net Investment, less depreciation plus Working Capital	213.3
Historical Under-recoveries of Revenue (1996-2006)	73.0
Unspent Allowances: including Deferred Capex and Historical Outperformance (1996 - 2006)	65.6
Profile Adjustment	85.2
Total TRV	437.1

3.11 Each of the components of the TRV is explained below:

- (a) **Net Investment, less depreciation plus Working Capital**– This is the past investment that PNGL has undertaken from its inception in 1996, to 2011 in developing the network, which had not yet been paid for by customers. This

component therefore represents actual costs incurred by PNGL, including working capital adjustments.

- (b) **Under-recoveries of revenue** – Revenue that PNGL was entitled to collect from customers between 1996 and 2006 was deferred and carried forward to later years because PNGL opted to price below its price cap in an effort to encourage customers to switch to natural gas.
- (c) **Unspent allowances** – When the Utility Regulator calculated the OAV in 2007 it rolled forward and capitalised the net present value of unspent operating expenditure (opex), capital expenditure (capex) and working capital allowances (WCA) from 1996 to 2006. The main areas of unspent allowances can be broken down into two elements:

- (i) **Deferred capex** – Specific capex projects that were deferred from 1999/2000 to later years.

The Commission's decision in relation to this was as follows:

- PNGL was allowed to retain all of the financial benefit of deferring projects that were subsequently completed by the end PC03.
- Projects that were not completed by the end of PC03 should now be removed from the TRV. The TRV should also be adjusted downwards to take back from PNGL the capitalised financing benefit that accrued to PNGL since 2007.

- (ii) **Historical Outperformance** - The Commission decided that PNGL should be allowed to keep all of its other underspending in the TRV during PNGL12, apart from the allowances for Business Rates, which were to be removed as PNGL had been funded twice for the same expense..

- (d) **Profile Adjustment** – This is revenue requirement carried forward to future years to maintain an even price profile over time. This element of the TRV ensures that conveyance charges are not unduly high in the early phases of the gas market's development. In practice, PNGL currently defers an element of its revenue entitlement into the future. The recovery of this deferred revenue is secured for PNGL by way of an addition to the regulatory asset base, via a mechanism enshrined in its licence known as the Profile Adjustment. The Profile Adjustment builds up over the course of each respective price control period, and then forms part of the asset base at the beginning of successive reviews.

C. Treatment of TRV

- 3.12 The breakdown of the TRV shown above provides clarity on the components that make up the TRV as we think it is helpful to all stakeholders to be transparent about the origins of the TRV.
- 3.13 The Commission was clear that its decision in the recent inquiry only applies to 2012 and 2013 and that further decisions on how to treat all these matters beyond 2013 will be made by UR in accordance with its statutory duties.
- 3.14 Below is an extract from paragraph 9.109 of the Commission's Final Determination

"We should observe, however, that our decision covers only two years and we do not wish to trespass on to the territory of future regulatory reviews (where other issues or evidence may be relevant). This is especially the case in a decision such as this where the specific context has been highly important to our reasoning."

- 3.15 The Utility Regulator will consider the appropriate value of the TRV from 1 January 2014 as part of the GD14 review of PNGL's price control. It will also need to consider the returns that PNGL should be allowed to earn on the relevant TRV components.
- 3.16 All future decisions will be made after full consultation and will take into account the Commission's report. The first consultation on GD14⁴ has already concluded and we will be consulting further in the summer of 2013 before a final decision is made at the end of 2013.

D. UR License Modifications to bring into Effect the Commission's decision

- 3.17 A notice under Article 17(4) of the Order as amended has now been published on the UR website, giving notice of the licence modifications proposed. These modifications are open to consultation for 28 days.

⁴ http://www.uregni.gov.uk/uploads/publications/2012-12-03_GD14_Price_Control_Scope_v10.pdf

ANNEX 1 – Copy of the Notice under Article 17(4) of the Order

Notice under Article 17(4) of the Gas (Northern Ireland) Order 1996

The Northern Ireland Authority for Utility Regulation (the **Authority**) pursuant to Article 17(4) of the Gas (Northern Ireland) Order 1996 as amended (the **Order**), hereby gives notice as follows:

The Proposed Modifications

- 1) The Authority proposes to modify the following conditions of the gas conveyance licence (the **licence**), granted under Article 8(1) of the Order to **Phoenix Natural Gas Limited** (the **licensee**):
 - a. Condition 2.3.13, in the manner set out in Schedule 1a to this notice,
 - b. Condition 2.3.23, in the manner set out in Schedule 1b to this notice, and
 - c. Condition 2.3.18, in the manner set out in Schedule 2 to this notice.

- 2) In the case of each Schedule, any words, figures or punctuation:
 - a. shown as being underlined are proposed to be added to the condition by way of modification; and
 - b. shown as being struck-through are proposed to be deleted from the condition by way of modification.

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Background to the Modifications

- 3) The three conditions which it is proposed to modify were part of the suite of price control provisions referred to the Competition Commission (the **Commission**) in March 2012 under Article 15 of the Order.
- 4) On 28 November 2012, the Commission presented its report to the Authority setting out its conclusions in accordance with the reference and in relation to the 2012-2013 price control for the licensee.
- 5) In accordance with Article 16(5)(b) of the Order, the Authority published the Commission's report on 19 December 2012⁵.
- 6) The Authority has also published a paper entitled "Licence Modifications required to give effect to the conclusions of the Competition Commission in relation to the Phoenix Natural Gas Limited price control conditions". This sets out a brief summary on the background to the reference and the report of the Commission.
- 7) By virtue of Article 17(1) of the Order, following the Commission's report, the Authority is under a duty to make such modifications to the conditions of the licence as appear to it to be requisite for the purpose of remedying or preventing the adverse effects specified in the report.
- 8) The Authority is proposing to make the modifications set out in this notice because they appear to it to be requisite for that purpose.

Effect of Modification

- 9) The effect of the proposed modifications is as follows –
 - a. The modification to Condition 2.3.13 would provide for the Authority to give effect to the conclusions in the Commission's report as to the Determination Values and Designated Parameters to be used for the purposes of the price control. The

⁵ Phoenix Natural Gas Limited price determination, 28 November 2012:
http://www.uregni.gov.uk/publications/competition_commission_final_pngl_price_determination and
http://www.uregni.gov.uk/publications/competition_commission_final_pngl_price_determination_appendices_and_glossa

Authority would do so by giving to the licensee a 'Replacement Determination Notice' that set out those values. Minor changes are proposed to Condition 2.3.13 in consequence of the creation of the Replacement Determination Notice.

- b. The modification to Condition 2.3.23 would add a new definition of 'Replacement Determination Notice' consequent upon the modifications to Condition 2.3.13.
- c. The modification to Condition 2.3.18 would change the value attributable to the term TRV ($TRV_{B,n}$ - Total Regulatory Value) in the price control conditions during 2012 and 2013. The TRV in the licence is currently £312.8m (at 2006 prices), and the proposed modification would change this to £437.1m (at 2010 prices). The modification also proposes to show the composition of the TRV.

Reasons

- 10) As stated above, the Authority is required to make the modifications to the licence that appear to it to be requisite for the purpose of remedying or preventing the adverse effects specified in the Commission's report.
- 11) The proposed modifications must therefore be understood by reference to the conclusions in the Commission's report.

Conditions 2.3.13 and 2.3.23

- 12) The Authority proposes the modification to Condition 2.3.13 and consequential modification to Condition 2.3.23 in order to ensure that the licence contains a mechanism by which the Authority will be able to give effect to the conclusions of the Commission by virtue of a new, 'Replacement', Determination Notice.
- 13) Under Condition 2.3.13(d)(i), the licence currently states that when the Authority receives a 'Review Disapplication Notice' from the licensee, the Determination Values and Designated Parameters that are set out in its Determination Notice shall have no effect. The Authority may then refer the price control conditions to the Commission.
- 14) However, in the event that a price control is referred to the Commission the licence contains no provision for amending the Determination Values and Designated Parameters in the light of the Commission's report.

- 15) The proposed modifications to Conditions 2.3.13 and 2.3.23 therefore complete the process following the Commission's report, so that the Authority shall provide a Replacement Determination Notice to the licensee setting out the Determination Values and Designated Parameters that shall apply in accordance with the conclusions of the Commission set out in its report.

Condition 2.3.18

- 16) In its report, the Commission concluded that the value of TRV should be adjusted to reflect the 1999/2000 capex deferrals that were not completed by the end of 2011 (including post-2006 capitalised financing benefits), together with an appropriate management fee of 5 per cent. The Commission also concluded that an adjustment should be made to the TRV as the licensee had been funded twice for its business rates allowance. The Commission's report determined the exact amount of the adjustment to be made.
- 17) The proposed modification to the TRV in Condition 2.3.18 would give effect the conclusions of the Commission. By specifying the composition of the TRV to ensure that its component parts can be clearly identified, the modification would ensure that the licence conditions are fully transparent as to the elements of the TRV considered by the Commission.

Further Relevant Information

- 18) The Authority will consider any representations or objections that are made to the proposed modifications and not withdrawn.
- 19) Should the modifications be made in substantially the same form as is proposed in this notice, the Authority would then intend, in accordance with the new Condition 2.3.13(d)(iii), to give to the licensee a Replacement Determination Notice to confirm the Determination Values and Designated Parameters that will apply for 2012 and 2013. These values will be those which were specified by the Commission in its spreadsheet model and in the report.
- 20) A draft copy of the Replacement Determination Notice which the Authority would propose to send to the licensee is attached as Schedule 3 to this Notice.

Consultation

- 21) The Authority has, in accordance with Articles 17(5)(b) of the Order served a copy of this notice on the licensee.
- 22) Representations or objections to the proposed modifications may be made before 5pm on 19 March 2013 to Paul Harland either by way of post at The Utility Regulator, Queens House, 14 Queen Street, Belfast BT1 6ED or e-mail at paul.harland@uregni.gov.uk.

Dated this day 15 February 2013



Brian McHugh

For and on behalf of the Authority

Schedule 1a: The Proposed Modification to Condition 2.3.13

2.3.13 Reviews Generally

In respect of each Review:

- (a) the Licensee shall provide to the Authority the Best Available Values required in accordance with Condition 2.3.14 to 2.3.19, together with the Licensee's proposed Designated Parameters for that Review, by the date occurring 15 months prior to the end of each Formula Year $t = n$.
- (b) the Authority will determine the Determination Values and the Designated Parameters that apply in those Formula Years t occurring during the period $t = n+1$ to $t = q$ (inclusive) and in doing so:
 - (i) the Authority shall have due consideration for the Best Available Values and proposed Designated Parameters submitted by the Licensee; and
 - (ii) base its determination of the Determined Revenue Per Therm for each Conveyance Category and *Determined Total Conveyance Revenue* on the underlying calculations contained in Conditions 2.3.14 to 2.3.19;
- (c) the Authority shall, following its determination, give notice in writing to the Licensee of the Determination Values and the Designated Parameters that it proposes to apply in those Formula Years $t=n+1$ to $t=q$ inclusive (a "Determination Notice");
- (d) where the Licensee considers that the Authority's proposals in a Determination Notice would not be acceptable:
 - (i) the Licensee may within 28 days of the date of the Determination Notice request the Authority by notice (a "Review Disapplication Notice") not to establish the Determination Values and Designated Parameters set out in the Determination Notice and where such notice is given the Determination Values and Designated Parameters established by the preceding Review shall continue to apply;

- (ii) where following the giving of a Review Disapplication Notice the Authority does not by the date falling 56 days after the date of the Review Disapplication Notice make a reference to the Competition Commission under Article 15 of the Order relating in whole or in part to a modification of this Condition 2.3.8, the Determination Notice shall have no effect and the Determination Values and Designated Parameters established at the preceding Review shall continue to apply; and
- (iii) in the event of such a reference to the Competition Commission under (ii) above:
 - (A) this Condition 2.3 may be modified in accordance with the Order and in the manner specified in the report of the Competition Commission; and
 - (B) the Authority shall give notice in writing to the Licensee (a “Replacement Determination Notice”) of any Determination Values and the Designated Parameters that have been specified in, or been calculated by the Authority in accordance with the conclusions of, the report of the Competition Commission to apply in those Formula Years $t=n+1$ to $t=q$ inclusive;
- (e) without prejudice to paragraphs (d)(i) and (ii) and to Article 14 of the Order, with effect from the first day of the Formula Year $t=n+1$ the effect of a Determination Notice given under paragraph (c), or of a Replacement Determination Notice given under paragraph (d)(iii), shall be such that:
 - (i) the Determination Values set out in the Determination Notice or (as the case may be) the Replacement Determination Notice shall apply for the purposes of and operation of this Condition 2.3 in relation to Formula Years $t=n+1$ to $t=q$;
 - (ii) Condition 2.3.22 shall be modified to include the Designated Parameters contained in the Determination Notice or the Replacement Determination Notice

in each case in substitution for and instead of the Determination Values and Designated Parameters established by the preceding Review.

Schedule 1b: Proposed Modification to Add a Definition of “Replacement Determination Notice” to Condition 2.3.23

“Replacement
Determination Notice” means a notice given in accordance with Condition
2.3.13(d)(iii);

Schedule 2: The Proposed Modification to Condition 2.3.18

2.3.18 Calculating $TRV_{B,n}$ (Total Regulatory Value)

$TRV_{B,n}$ is the Best Available Total Regulatory Value at the end of Formula Year $t = n$. It is the sum of the Best Available Depreciated Asset Value for Formula Year $t = n$ (or in other words the opening position at the beginning of Formula Year $t = n+1$), plus the Best Available Working Capital for Formula Year $t = n$ (or in other words the opening position at the beginning of Formula Year $t = n+1$), plus the Best Available Capital Creditors for Formula Year $t = n$ (or in other words the opening position at the beginning of Formula Year $t = n+1$), plus the Best Available Profile Adjustment as follows:

$$TRV_{B,n} = DAV_{B,n} + Q_{B,n} + CC_{B,n} + PA_{B,n}$$

Where:

$PA_{B,n}$ is the Profile Adjustment (being an adjustment calculated in accordance with Condition 2.3.19), and

$Q_{B,t}$ and $CC_{B,t}$ are treated as a pass-through and are corrected to actuals at the end of each Review Period as described in condition 2.3.23.

In respect of Formula Year $t =$ ~~2006~~ 2011 (year end), $TRV_{F,t} =$ ~~£342.8m~~ £437.1m (2010 prices).

Schedule 3: Draft Replacement Determination Notice proposed to be sent to Licensee following the proposed modifications to the Licence

Replacement Determination Notice Pursuant to Condition 2.3.13(d)(iii)(B) of the Licence for the Conveyance of Gas in Northern Ireland Granted to Phoenix Natural Gas Limited on 5 September 1996 (“the Licence”)

Whereas:

1. Conditions 2.3.8 to 2.3.26 of the licence were referred to the Competition Commission (the **Commission**) in March 2012 under Article 15 of the Gas (Northern Ireland) Order 1996 (the **Order**).
2. On 28 November 2012, the Commission presented its report to the Northern Ireland Authority for Utility Regulation (the **Authority**).
3. On 19 December 2012, in accordance with Article 16(5)(b) of the Order, the Authority published the Commission’s report⁶.
4. The Commission’s report sets out the basis on which the Determination Values should be calculated.
5. Following a consultation in accordance with Article 17 of the Order, the Authority has modified the licence in order to give effect to the conclusions set out in the Commission’s report.
6. Modified Condition 2.3.13(d)(iii)(B) of the licence requires the Authority to give to Phoenix Natural Gas Limited (**PNGL**) a Replacement Determination Notice specifying the Determination Values and Designated Parameters in accordance with the Commission’s report.

The Authority hereby gives notice of the Determination Values and Designated Parameters that have been specified in the report of the Competition Commission and that shall apply during 2012 and 2013.

⁶ ‘Phoenix Natural Gas Limited price determination’, 28 November 2012:
http://www.uregni.gov.uk/publications/competition_commission_final_pngl_price_determination and
http://www.uregni.gov.uk/publications/competition_commission_final_pngl_price_determination_appendices_and_glossa

Designated Parameters

The Designated Parameters are being amended under this notice, as set out in Condition 2.3.22 of the licence. They will apply up to and including formula year 2013. These shall be:

Designated Parameter	Value
r_t	0.075
m	2012
n	2013
q	2046
RPI	225.3

Determination Values

The Determination Values are set out in the Commission's spreadsheet model entitled, "UR 15 PNG12 model FINAL-remedies". The basis for the calculations contained within this model are set out in the Commission's report dated 28 November 2012. That document is also attached to this Replacement Determination Notice.

Dated this day [Insert Date]

.....

Shane Lynch

Chief Executive Office

For and on behalf of the Northern Ireland Authority for Utility Regulation