

### 3.1.3 The Forecast Required Revenue

- (a) The Forecast Required Revenue of the Licensee in respect of the Gas Year which commenced on 1 October 2007 shall be an amount to be determined by the Authority and notified to the Licensee on or before the date that the Licence comes into full force and effect.
- (b) The Forecast Required Revenue of the Licensee in respect of each subsequent Gas Year<sub>t</sub> (other than any Gas Year which is a Post Finance Gas Year) shall be:

- (i) the Licensee's forecast of (aa) (bb) and (cc) below, namely:-

- (aa) the Fixed Amount for such Gas Year<sub>t</sub> (which is represented by the term  $A_t$  in the formula set out in Condition 3.1.4(b)) plus
- (bb) the amount of the Eligible Pass-Through Costs for such Gas Year<sub>t</sub> (which is represented by the term  $B_t$  in the formula set out in Condition 3.1.4(b)); plus
- (cc) the Postalisation Adjustment for such Gas Year<sub>t</sub> (which is represented by the term  $C_t$  in the formula set out in Condition 3.1.4(b))

Minus

- (ii) the Licensee's forecast of (dd) and (ee) ~~and (ff)~~ and (gg) below, namely:-

- (dd) the Ratio Account Credit for such Gas Year<sub>t</sub> (which is represented by the term  $D_t$  in the formula set out in Condition 3.1.4(b)); plus
- (ee) the Insurance Recoveries for such Gas Year<sub>t</sub> (which is represented by the term  $E_t$  in the formula set out in Condition 3.1.4(b)); plus

~~(ff) the STC / VRF Revenues for such Gas Year (which is represented by the term  $F_t$  in the formula set out in Condition 3.1.4(b))~~

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- (gg) the Licensee's OS Revenues Share for such Gas Year (which is represented by the term  $G_t$  in the formula set out in Condition 3.1.4(b)).

### 3.1.4 Actual Required Revenue

- (a) The Licensee's Actual Required Revenue ( $ARR_t$ ) for any Gas Year shall be the amount determined in accordance with the formula set out in Condition 3.1.4(b) for such Gas Year.

- (b) The formula for the calculation of the Licensee's Actual Required Revenue is as follows, namely:-

$$ARR_t = (A_t + B_t + C_t + Z^*(S_t)) - (D_t + E_t + F_t + G_t).$$

### 3.1.5 Definition of Formula Terms

As used in the formula in Condition 3.1.4 and elsewhere in this Condition 3.1:-

$t$  = denotes a Gas Year;

$t-1$  = denotes the Gas Year which immediately precedes the Gas Year for the purposes of which any forecast or calculation is made in accordance with this Condition 3.1 (and the subscript  $t-2$  shall be construed accordingly);

$A_t$  = in respect of any Gas Year, the Fixed Amount for such Gas Year;

$B_t$  = in respect of any Gas Year, the Eligible Pass-Through Costs for such Gas Year;

$C_t$  = in respect of any Gas Year, the Postalisation Adjustment for such Gas Year;

$S_t$  = in respect of any Gas Year, the Approved Surplus determined by the Authority in accordance with Condition 3.1.6 and notified by the Authority to the Licensee on or before the eighth Business Day in November following the end of such Gas Year;

$Z_t$  = in respect of any Gas Year: and

- (a) the part of  $S_t$  which is not attributable to the value ascribed to that term by the term  $G_t$  embodied in the formula in Condition 3.1.6 a factor

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between 0 to 1, as determined by the Authority for such Gas Year and notified by the Authority to the Licensee on or before the eighth Business Day in November following the end of such Gas Year; and

- (b) the part of  $S_t$  which is attributable to the value ascribed to that term by the  $G_t$  term embodied in the formula in Condition 3.1.6, a factor equal to 1;

$D_t$  = in respect of any Gas Year, the Ratio Account Credit for such Gas Year; and

$E_t$  = in respect of any Gas Year, the Insurance Recoveries for such Gas Year;

~~$F_t$  = in respect of any Gas Year, the STC / VRF Revenues for such Gas Year~~

$G_t$  = in respect of any Gas Year, the Licensee's OS Revenues Share for such Gas Year.

### 3.1.7.2 As used in this Licence:-

**“Postalisation Adjustment”** means, in respect of any Gas Year<sub>t</sub>, the aggregate (which may be positive or negative) of the amounts set out in (i), (ii) and (iii) below:

- (i) costs and expenses, losses and/or liabilities incurred or to be incurred by the Licensee in Gas Year <sub>t</sub> associated with the PSA and/or the Trustee under the agreements under which they are appointed;
- (ii) amounts due in respect of Commodity Reconciliation Payments in Gas Year <sub>t</sub>, calculated according to the following formula:

$$\text{UNRPT}_{t-2} \times (1+\text{RE})^{1.5} \times \left[ \frac{\text{CPI}_t}{\text{CPI}_{t-2}} \right] \times \left[ \frac{\text{ARR}_{t-2}}{\text{PS ARR}_{t-2}} \right]$$

where:

$\text{UNRPT}_{t-2}$  = the Unrecovered Postalisation Payment as calculated by the PSA in respect of Gas Year <sub>t-2</sub>;

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$CPI_t$  = the forecast of the absolute value of the General Index of Consumer Prices – All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) for Gas Year  $t$ , as published in the preceding year's May edition of the Bank of England Inflation Report or if such index is no longer published, such alternative index as the Authority shall, after consultation with the Licensee, determine most closely reflects the General Index of Consumer Prices (1996 = 100);

$CPI_{t-2}$  = the absolute value of the General Index of Consumer Prices – All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) - for Gas Year  $t-2$ , or if such index is no longer published, such alternative index as the Authority shall, after consultation with the Licensee, determine most closely reflects the General Index of Consumer Prices – All items (1996 =100);

$ARR_{t-2}$  = the Licensee's Actual Required Revenue in respect of Gas Year  $t-2$ ;

$PS\ ARR_{t-2}$  = the sum of the Actual Required Revenues (as defined in the Respective Licence of each Designated Pipe-line Operator) of all Designated Pipe-line Operators in respect of Gas Year  $t-2$ ;

$RE$  = the applicable real interest rate, which is calculated as the one year LIBOR rate, as published on the 10th Business Day of June in Gas Year  $t-1$ , plus 2% minus a CPI factor, calculated as:

$$LIBOR\ rate\ \% + 2\% - [(CPI_t / CPI_{t-1}) - 1] \times 100);$$

$CPI_{t-1}$  = the absolute value of the General Index of Consumer Prices – All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) - for Gas Year  $t-1$ , or if such index is not available the latest CPI figure published in Gas Year  $t-1$  (or if such index is no longer published, such alternative

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index as the Authority shall, after consultation with the Licensee, determine most closely reflects the General Index of Consumer Prices – All items (1996 =100));

- (iii) such amount as the Authority may, after consultation with the Department, deem appropriate in respect of costs incurred by the Licensee in connection with approved activities in relation to the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland;

**"Predecessor Conveyance Licence"** means the licence to convey gas dated 1 January 2008 granted to the Licensee under Article 8(1)(a) of the Order, which was revoked by the Authority at the time of grant of the Licence and any other licence to convey gas held by the Licensee prior to the time that such licence came into effect.

~~**"STC / VRF Revenues"** means in respect of any Gas Year, the cash amounts actually received by the Licensee for the provision of the STC / VRF Services in that Gas Year, after deduction of value added tax (if any) and any other taxes based directly on the amounts so received~~

**"OS Revenues"** means, in respect of any Gas Year, the net revenues received in respect of the provision of the OS Services as determined in accordance with the OS Scheme;

**"Licensee OS Revenues Share"** means, in respect of any given Gas Year, the part of the OS Revenues actually received and retained in cash by the Licensee out of the proceeds of OS Revenues, after deduction of value added tax (if any) and any other taxes payable by the Licensee on the amounts so received and in accordance with the relevant provision of the OS Scheme;

**"OS Capacity"** and **"Buy-Back Capacity"** have the meanings given to them in Condition 2A.1.1).

- 3.1.7.3 The Authority Direction shall not be capable of being revoked or modified without the prior written consent of the Licensee, but shall, in accordance with its terms, not

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have effect in relation to any Gas Year which commences on or after the Final Repayment Date.

3.1.7.4 The Licensee shall perform any obligation imposed on it by the Authority Direction.

**3.1.7A “Forecast STC and VRF Revenue Receivable”**

~~The Licensee's forecast of STC / VRF Revenues shall be set at zero. — The Licensee shall provide to the Authority such data and information as it has received from Gas Suppliers pursuant to the Network Code concerning their likely usage of Daily Capacity and of the Virtual Reverse Flow Service in such forthcoming Gas Year and their actual usage of Daily Capacity and of the Virtual Reverse Flow Service in any Gas Year which has ended prior to the making of the request). Such data to be provided no later than the last Business Day in June in the case of likely usage of Daily Capacity and of the Virtual Reverse Flow Service in such forthcoming Gas Year, and by the tenth Business Day in November in the case of actual usage of Daily Capacity and of the Virtual Reverse Flow Service in any Gas Year which has ended prior to the submission of the data.~~