

Annex D

GNI (UK) proposed licence modifications



This Annex sets out the proposed modifications to the GNI (UK) conveyance licence (by way of only including in this document those provisions/conditions (in whole or in part) to which modifications are proposed.

1. Proposed Amendments in Condition 1.1.6

- "Department" means the Department ~~of Enterprise, Trade and Investment~~for the Economy;
- "Licensee" means ~~BGE GNI~~ (UK) Ltd. or, in the event of a general assignment of the Licence in accordance with Condition 1.10, the assignee of the Licence;
- "Network Code" means the ~~document~~Single Network Code prepared ~~by the Licensee~~under and in accordance with Condition ~~2.4.22.4D~~;"

Proposed amendments to Condition 1.14: Notices

Condition 1.14: Notices

1.14.1 Notices

All notices to be given under any Condition shall be in ~~writing~~Writing and ~~shall be deemed to have been properly given if delivered in person or sent by registered mail or transmitted by facsimile~~ to the relevant party at the address set out below or at such other address as that party may from time to time specify in writing to the others:

Licensee: ~~BGE GNI~~ (UK) Ltd.
Gasworks Road
Cork
Republic of Ireland
~~Facsimile Telephone Number +353 21 453 4387~~

Authority: Northern Ireland Authority for Utility Regulation,
Queens House,
14 Queen Street,
Belfast, BT1 6ED
~~Facsimile Telephone Number (02890) 311740~~

Department: Department of Enterprise, Trade and Investment for the Economy
Energy Division Group,
Adelaide House,
39/49 Adelaide Street,
Belfast, BT2 8FD
Netherleigh House,
Massey Avenue,
Belfast, BT4 2JP
Facsimile Telephone Number (02890) 529549]

Writing includes writing sent or received by Electronic Communication.

Electronic Communication means a message comprising text that:

(a) is sent over a Public Electronic Communications Network;

(b) can be stored in that network or in the recipient's terminal equipment until it is collected by the recipient; and

(c) is in a particular form and is used for a particular purpose and the recipient of it has expressed a willingness, to the sender, to receive it in that form and for that purpose.

Public Electronic Communications Network has the meaning given in section 151 of the Communications Act 2003.

1.14.2 Receipt

Any notice given under the provisions of Condition 1.14.1 shall be deemed to have been duly delivered and received:

- (i) at the actual time of delivery, if delivered personally;
- (ii) three (3) working days subsequent to the date of posting, if sent by registered mail; and
- (iii) at the time of receipt, if ~~transmitted by facsimile where there is confirmation of uninterrupted transmission by a transmission report and provided that the original of the notice is then delivered personally or sent by registered mail as soon as reasonably practicable~~ sent by Electronic Communication.

2. Proposed Amendments in Condition 2.3

"2.3.16 No obligation to connect premises

Nothing in Condition 2.3.14 and Condition 2.3.15 shall require the Licensee to make or maintain the connection:

- (a) if the making or maintaining of the connection involves danger to the public and/or a risk to the safety of the Network, provided that the Licensee has taken all such reasonable steps to prevent such danger from occurring;
- (b) if there is insufficient capacity in the Network;
- (c) if the Licensee has reasonable grounds to believe the making of the connection would be in conflict with:
 - (i) the relevant objectives set out in Condition ~~2.4.12~~ 2.4D.2;
 - (ii) any public service obligation (where applicable); or
- (d) if there are any serious economic difficulties with take or pay contracts;

and in any such case the Licensee shall give duly substantiated reasons for believing such circumstances apply."

3. Proposed Amendments in Condition 2.17

"2.17.3 The arrangements referred to in paragraph 2.17.2 shall include the following:

- (a) the entering into by the Licensee and every other HP Conveyance Licensee, by a date as directed by the Authority, a Single System Operation agreement (a SSO Agreement) which contains such provisions as are requisite to meet the objectives set out in paragraph 2.17.1, and implement the requirements set out in paragraphs 2.17.2; 2.17.3 and 2.17.4;
- (b) the preparation, implementation and maintenance in force of a Single Network Code pursuant to the requirements of Condition 2.4D, which sets out:

..."

"2.17.13 The Single Network Code shall be prepared pursuant to, and meet the requirements set out in Condition 2.4D of the Licence."

"2.17.17 In this Condition:

...

Single Network Code	has the meaning given to it in paragraph 2.4 <u>D</u> .1(a) <u>of Condition 2.4D of the Licence.</u>
User	has the meaning given to it in paragraph 2.4 <u>D</u> .14 <u>of Condition 2.4D of the Licence.</u> "

Condition 1.21: Regulatory Instructions and Guidance

1.21.1 Introduction

- (a) The purpose of this Condition 1.21 is to set out the scope, contents, and common governance arrangements for the Regulatory Instructions and Guidance (“**RIGs**”) published by the Authority pursuant to this condition.
- (b) The RIGs are the primary means by which the Authority directs the Licensee to collect and provide the information to the Authority that the Authority needs to enable it to administer the Price Control Conditions [in](#) Part 2 of [the this Licence](#) and any determinations made by the Authority under or for the purposes of the Price Control Conditions.

1.21.2 Licensee’s obligation under this condition

- (a) Unless and so far as the Authority otherwise consents, the Licensee must have in place and maintain appropriate systems, processes, and procedures to enable it:
 - (i) to estimate, measure, and record the information detailed in the RIGs (“specified information”); and
 - (ii) to provide such information to the Authority in respect of such periods and within such timeframes as are specified in the RIGs.
- (b) To facilitate compliance with paragraph (a) of this Condition 1.21.2, the accounting records and other records kept by the Licensee with respect to the specified information must:
 - (i) be so arranged as to ensure that such information can be separately identified and reasonably attributed as between the Licensee’s business and the business of any affiliate or related undertaking of the Licensee; and
 - (ii) be maintained for a period of eight years, or such shorter period as set out in the RIGs, from the date that they are made.

1.21.3 Scope and content of RIGs

- (a) Subject to paragraphs (b) and (c) of this Condition 1.21.3, the matters that may be included, or for which provision may be made, in the RIGs are:
- (i) instructions and guidance on the establishment of systems, processes, procedures, and ways for recording and providing specified information;
 - (ii) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of specified information (including different classes of such information);
 - (iii) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards;
 - (iv) the methodology for calculating or deriving numbers comprising specified information;
 - (v) provision with respect to the meaning of words and phrases used in defining specified information;
 - (vi) requirements as to the form and manner in which, or the frequency with which, specified information must be recorded;
 - (vii) requirements as to the form and manner in which, or the frequency with which, specified information must be provided to the Authority;
 - (viii) requirements as to which (if any) of the specified information is to be subject to audit, the terms on which an auditor is to be appointed by the Licensee for that purpose, and the nature of the audit to be carried out by that person;
 - (ix) requirements as to the circumstances in which the Authority may appoint an examiner to examine the recording of the specified information by the Licensee;
 - (x) a statement on whether and to what extent each category of the specified information is required for the purposes of the RIGs; and

- (xi) provision about how the Authority intends to monitor, assess, and enforce compliance with the RIGs (as to which, see also Condition 1.21.6).
- (b) The provisions of the RIGs must not exceed what is reasonably required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the Licensee in complying with those provisions.
- (c) No specified information may exceed what could be requested from the Licensee by the Authority under Condition 1.3.1.

1.21.4 Development and modification of the RIGs

- (a) The Authority may issue new RIGs or modify any existing RIGs by issuing a direction for that purpose to the Licensee.
- (b) Data collected in relation to each formula year must be reported according to the RIGs issued to the Licensee by the Authority as they may be (where applicable) modified in line with this Condition 1.21.4 and with Condition 1.21.5.
- (c) A direction issued by the Authority under paragraph (a) of this Condition 1.21.4 will be of no effect unless the Authority has first:
 - (i) given notice to the Licensee that it proposes to issue new RIGs or (as the case may be) to modify the RIGs:
 - (A) specifying the date on which it proposes that the provisions of the document to be issued or modified should take effect;
 - (B) setting out the text of the RIGs to be issued or (as the case may be) modified and the Authority's reasons for proposing to issue or modify it; and
 - (C) specifying the time (which will not be less than a period of 28 days from the date of the notice) within which representations in response to such proposals may be made; and

- (ii) considered any representations in response to the notice that are duly made and not withdrawn.
- (d) The requirements for the issuing of new RIGs or modification of existing RIGs set out in paragraph (c) of this Condition 1.21.4 may be satisfied by actions taken by the Authority before as well as after the coming into effect of this condition.

1.21.5 Requirements for new or more detailed information

- (a) This Condition 1.21.5 applies if any modified or new RIGs have the effect of introducing a requirement to provide:
 - (i) a new category of specified information; or
 - (ii) an existing category of specified information to a greater level of detail, which has not previously been collected by the Licensee, whether under the provisions of the RIGs or otherwise.
- (b) Where this Condition 1.21.5 applies, the Licensee may provide estimates to the Authority in respect of the relevant category of specified information for any formula year specified by the Authority.
- (c) The estimates that are mentioned in paragraph (b) of this condition may be derived from such other information available to the Licensee as may be appropriate for that purpose.

1.21.6 Compliance with the provision of the RIGs

- (a) The Licensee must at all times comply with the provisions of the RIGs for the time being in force pursuant to this condition.
- (b) Where the Licensee holds more than one gas conveyance licence within a single legal entity, it must comply with the requirements of this condition separately in respect of each such licence.
- (c) Nothing in this condition requires the Licensee to provide any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

1.21.7 Definitions

For the purposes of this condition:

"examiner" means, in relation to the RIGs, a person whose degree of knowledge and experience of the matters that are the subject of the RIGs will enable him to properly carry out and complete the tasks required of him under the terms of his nomination by the Authority pursuant to the provisions of the RIGs;

"specified information" means information (or a category of information) that is so described or defined in the RIGs.

"Price Conditions" **Control** ~~m~~Means ~~C~~condition 2.2 ~~of in the this~~ Licence.

2.2.16 Supplemental Income

- (a) The Licensee shall, on a good faith basis use its reasonable endeavours to maximise the Supplemental Income provided that:
- (i) it is acknowledged that the primary purpose of the South North Pipeline is to transport gas to the Northern Ireland transmission system; and
 - (ii) the amount of such income receivable in respect of any part of the Licensee's pipeline(s) located in the Republic of Ireland and connected to the South North Pipeline, and any spurs thereto located in the Republic of Ireland, shall be consistent with directions issued from time to time by the CRU ~~GER~~ as per the terms of the Licensee's CRU ~~GER~~ transmission licence and following consultation with the Authority.
- (b) The Licensee shall report to the Authority on an annual basis in each Gas Year not later than six months before the end of the Gas Year:
- (i) with the Licensee's calculation of all Supplemental Income reasonably anticipated by the Licensee to become due to, or receivable by, it in the forthcoming Gas Year; and
 - (ii) details of what the Licensee considers to be the Supplemental Income recovered in the preceding Gas Year.
- (c) The Licensee shall promptly provide to the Authority such information, explanations, documents and records as the Authority may reasonably require in connection with or relating to Supplemental Income and the report provided in accordance with Condition 2.2.16 (b).
- (d) The Authority may, following verification, by notice to the Licensee in respect of the figures submitted in the Licensee's report in accordance with Condition 2.2.16 (b)(i):-

- (i). approve the figures in the report as the Allowed Supplemental Income for the relevant Gas Year; or
- (ii). determine as the Allowed Supplemental Income for the relevant Gas Year such amended figure as it considers appropriate;

provided that before making any amendments to the figures in the report submitted by the Licensee the Authority shall provide details of the amendments and the reasons for them and give the Licensee an appropriate period (being not less than 28 days) to comment on them.

(e) The Authority may, following verification, by notice to the Licensee in respect of the figures submitted in the Licensee's report in accordance with Condition 2.2.16 (b)(ii):-

- (i). approve the figures in the report as the Actual Supplemental Income for the relevant Gas Year; or
- (ii). determine as the Actual Supplemental Income for the relevant Gas Year such amended figure as it considers appropriate;

2.2.19 Additional Definitions and interpretation

(a) For the purpose of this Condition:-

“Actual Controllable Capital Expenditure”	means the cumulative amount of actual Controllable Capital Expenditure in respect of each of the North West Pipeline, the South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, as determined by the Authority in accordance with Condition 2.2.2 (f);
“Actual Required Revenue”(ARR)	means, for periods when a Designation Order is in place in respect of the Network, the maximum amount which the Licensee is permitted to recover through conveyance charges in any Gas Year, calculated in accordance with the Formula;
“Actual Uncontrollable Capital Expenditure”	means the cumulative amount of actual Uncontrollable Capital Expenditure in respect of each of the North West Pipeline, the South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, as determined by the Authority in accordance with Condition 2.2.2 (g);
“Actual Capital Expenditure”	means, in respect of the North West Pipeline, the South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, the Actual Controllable Capital Expenditure plus the Actual Uncontrollable Capital Expenditure;
“Actual Operating Expenditure”	means the Operating Expenditure actually incurred by the Licensee (and “Actual Controllable Operating Expenditure” and “Actual Uncontrollable Operating Expenditure” shall be construed accordingly);

“Actual Supplemental Income”	means that Supplemental Income determined to be such approved or determined by the Authority in accordance with Condition 2.2.16 (e);
“Allowed Operating Expenditure”	means that Operating Expenditure determined to be such by the Authority in accordance with Condition 2.2.4 (and “Allowed Controllable Operating Expenditure” and “Allowed Uncontrollable Operating Expenditure” shall be construed accordingly);
“Allowed Supplemental Income”	means that Supplemental Income determined to be such approved or determined by the Authority in accordance with Condition 2.2.16 (d);
“Business Day”	means a day, other than a Saturday or Sunday, on which banks are open for ordinary banking business in Belfast;
“Buy-Back Capacity”	has the meaning given to it in the OS Conditions (as defined in Condition 2A.1.1);
“Capital Expenditure”	means Expenditure that relates to property, plant or equipment that would be recognised as an asset under International Accounting Standard 16 ‘Property, Plant and Equipment’ (excluding any attributable interest costs), or any alternative accounting treatment specified by the Authority in any regulatory accounting guidelines issued from time to time;
“ <u>GERCRU</u> ” “Commission”	or means the Commission for Energy Regulation established pursuant to Section 8 of the Electricity Regulation Act, 1999, <u>now known as the Commission for Regulation of Utilities</u> ;
“Competition and Markets Authority” or “CMA”	

means the body of that name established by Section 25 of the Enterprise and Regulatory Reform Act 2013;

“Consumer Price Index” or “CPI”	means, the “Consumer Prices Index (CPI) 2005 = 100” as published by the Office of National Statistics (Series Identifier D7BT) ; or if such index is no longer published, such alternative index as the Authority shall, after consultation with the Licensee, determine most closely reflects that index;
“Controllable Capital Expenditure”	means Capital Expenditure other than Uncontrollable Capital Expenditure;
“Controllable Capital Expenditure Estimate”	has the meaning given to that term in Condition 2.2.2;
“Controllable Operating Expenditure”	means Operating Expenditure other than Uncontrollable Operating Expenditure;
“CRR”	means the capital revenue requirement as calculated in accordance with the CRR Formula;
“CRR Actuals”	has the meaning given to that term in Condition 2.2.5(b);
“CRR Formula”	means the formulae calculated according to paragraph 2 of Annex A;
“CRR Variables”	has the meaning given to that term in Condition 2.2.5 (b);
“Economic Network”	means the North West Pipeline, the South North Pipeline, and the Spurs taken together;
“EURIBOR”	means the Euro Interbank Offered Rate as published in the Financial Times from time to time and is the rate of interest at which panel banks borrow funds from

other panel banks in the EU interbank market and which will be an annual rate unless otherwise stated;

“Expenditure”	<p>means the expenditure reasonably and properly incurred by the Licensee in the development, construction, maintenance and operation of the Economic Network so as to enable the Licensee to provide conveyance services in an economically efficient and safe manner, but excluding:</p> <ul style="list-style-type: none"> (i) expenditure relating to tax, financing and other returns to investors; and (ii) expenditure that is recoverable under Conditions 2.3 and 2.5;
"First Operational Commencement Date"	<p>means, in respect of each of the North West Pipeline, the South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, the Gas Year commencing the October immediately after the pipeline in question becomes operational, or else such other date as is agreed by the Authority and the Licensee;</p>
“Forecast Required Revenue” “Formula”	<p>means the amount set out in accordance with 2.2.1.1 (f);</p> <p>means the formula for the determination of the Actual Allowed Revenue set out in paragraph 1 of Annex A;</p>
“Formula Amendment”	<p>has the meaning given to that term in Condition 2.2..22 (d);</p>
“Gas Year”	<p>means the period of time beginning at 06:00 hours on 01 October in any calendar year and ending at 06:00 hours on 01 October in the next succeeding calendar year;</p>

"LIBOR"	means the sterling London Interbank Offered Rate as published in the Financial Times from time to time and which will be an annual rate unless stated otherwise;
"Network"	means all high pressure gas pipe-lines and gas plant owned and/or operated and/or utilised by the Licensee in Northern Ireland in relation to its Licence given under Paragraph 1 of the Grant;
"North-West Pipeline"	means the pipeline starting at the tie-in of the Licensee's pipeline at Carrickfergus to the pipeline owned by Phoenix Natural Gas to the outlet flange of the AGI at the site of the 400 MW CCGT power plant at Coolkeeragh;
"Operating Expenditure"	means Expenditure other than Capital Expenditure;
"OS Capacity"	has the meaning given to it in the OS Conditions (as defined in Condition 2A.1.1);
"OS Revenue"	means, in respect of any Gas Year, the net amounts 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 Services" and OS Scheme	have the meaning given to them in the OS Conditions (as defined in Condition 2A.1.1);

"Postalisation Adjustment"	means for the purposes of the determination of Total Allowed Conveyance <u>Conveyance</u> Revenue in Gas Year t, an allowance (positive or negative) comprised of the sum of the amounts referred to in Condition 2.2.1.1 (g);
"Postalised Distribution Pipeline"	<p>means that part of any pipe-line owned and operated pursuant to the Towns Licence and running from the Economic Network to one or more Supply Locations which commences at the point of connection with the Economic Network and ends at the first Five km Point to be reached by that pipe-line. Where:</p> <p>"Five km Point" means, in respect of a Supply Location, any point lying on a radius of 5 kilometres drawn around the Load Centre for that Supply Location;</p> <p>"Load Centre" means, in respect of a Supply Location, the location determined as such by the Authority;</p> <p>"Supply Location" means each Town (as defined in condition 3.1 of the Towns Licence), and any other premises or group of premises that is designated as such by the Authority from time to time; and</p> <p>"Towns Licence" means the conveyance licence granted to Bord Gais Eireann on 24 March 2005;</p>
"Rate of Return"	means the rate of return established in accordance with paragraph 5 of Annex A;
"Retail Price Index" or "RPI"	means, the "Retail Prices Index (RPI) January 1987 = 100" as published by the Office of National Statistics (Series Identifier CHAW) ; or if such index is no longer published, such alternative index as the Authority

shall, after consultation with the Licensee, determine most closely reflects that index;

"Revenue Recovery Period"	means, in respect of each of the North West Pipeline, the South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, the period of twenty five years commencing on the relevant First Operational Commencement Date;
"Review Date"	means 1 st October 2007 and every fifth anniversary thereafter during the Revenue Recovery Period;
"South North Pipeline"	means the high-pressure transmission pipeline running from Gormanston in the Republic of Ireland up to and including its connection and tie-in point with the North West Pipeline at the Ballyalbanagh AGI in Northern Ireland;
"Spurs"	means a high pressure pipe-line connecting (directly or indirectly) to the Licensee's North West pipe-line or South North pipe-line which runs to a point designated by the Authority under Condition 1.15.3(b)(ii) and which is constructed or to be constructed for the purpose of facilitating the taking of gas to a town, customer, or group of customers;
"Supplemental Income"	means all revenue arising in the hands of the Licensee (or any affiliate or related undertaking of the Licensee) from the exploitation of the North West Pipeline, the South North Pipeline, and Spurs other than charges arising directly from the provision of conveyance services and shall include income from the conveyance of gas through the South North Pipeline outside Northern Ireland and any other

revenue arising from the exploitation by the Licensee of the Economic Network assets;

“Total Controllable Capital Expenditure”	has the meaning given to that term in Condition 2.2.2 (d);
“Total Allowed Conveyance Revenue”	means the maximum amount which the Licensee is permitted to recover in any Gas Year through conveyance charges under the Formula;
“Total Conveyance Revenue”	means the total conveyance charge revenue received by the Licensee in any Gas Year;
“Total Uncontrollable Capital Expenditure”	has the meaning given to that term in Condition 2.2.2 (d);
“Uncontrollable Capital Expenditure”	has the meaning given to that term in Condition 2.2.3;
“Uncontrollable Capital Expenditure Estimate”	has the meaning given to that term in Condition 2.2.2 (a);
“Uncontrollable Operating Expenditure”	means Operating Expenditure which is outside the reasonable control of the Licensee and which falls within the list of “Uncontrollable Operating Expenditure” determined as such by the Authority for the purposes of this Condition, as such list may be amended, supplemented or varied from time to time;
“Unforeseen Operating Expenditure”	means any Operating Expenditure incurred or to be incurred in a Gas Year and not accounted for in the Allowed Operating Expenditure figure for that Gas Year;

“Verified Controllable Capital Forecast” means that Controllable Capital Expenditure determined to be such by the Authority in accordance with Condition 2.2.2 (b);

We are proposing the following modifications to condition 2.2.16:

2.2.16 Supplemental Income

(a) The Licensee shall, on a good faith basis use its reasonable endeavours to maximise the Supplemental Income provided that:

- (i) it is acknowledged that the primary purpose of the South North Pipeline is to transport gas to the Northern Ireland transmission system; and
- (ii) the amount of such income receivable in respect of any part of the Licensee’s pipeline(s) located in the Republic of Ireland and connected to the South North Pipeline, and any spurs thereto located in the Republic of Ireland, shall be consistent with directions issued from time to time by the GER-CRU as per the terms of the Licensee’s GER-CRU transmission licence and following consultation with the Authority.

We are proposing to add the CRU to the glossary table in 2.2.19 as follows:

“CRU” or means the Commission for Regulation of Utilities;
“Commission”

Condition 2.4E: Not Used

Condition 2.4F Interconnection Agreement for the Interconnection Point at Gormanston

2.4F.1 This Condition applies where the Licensee is a party to the Gormanston Interconnection Agreement. It is acknowledged that the Gormanston Interconnection Point is located in the Republic of Ireland (RoI), that CRU is the regulatory authority for natural gas in RoI and the Licensee holds a licence issued by CRU in respect of those pipelines in RoI owned and operated by the Licensee and forming part of the NI Network (the RoI License).

2.4F.2 Where this Condition applies the Licensee shall take such steps and do such things as are within its power to:

- (a) review, from time to time and in conjunction with any other person that is a party to it, the Gormanston Interconnection Agreement with a view to determining, taking into account the operation of the Gormanston Interconnection Agreement and the Licensee's obligations under this Licence and the RoI Licence, whether any amendment should be made to it;
- (b) amend the Gormanston Interconnection Agreement as may from time to time be required to reflect the outcome of a review conducted pursuant to paragraph 2.4F.2 (a); and
- (c) ensure that it does not amend, or agree to amend, the Gormanston Interconnection Agreement unless:
 - (i) the proposed amendment has first been submitted to the Authority by the Licensee, where applicable together with the results of any consultation on the proposed amendment; and
 - (ii) the Authority has given its approval to the proposed amendment.

2.4F.3 The Licensee shall not terminate, or agree to terminate, the Gormanston Interconnection Agreement unless it has obtained prior written approval from the Authority to do so.

2.4F.4 In this Condition:

<p><u>Gormanston</u> <u>Interconnection Agreement</u></p>	<p><u>means:</u></p> <p>(a) <u>the Interconnection Agreement for the Interconnection Point at Gormanston known as the South-North Interconnection Point made on 29 April 2016 between GNI (UK) Limited and Gas Networks Ireland, as amended or supplemented by any other agreements from time to time; and/or</u></p> <p>(b) <u>any agreement which, whether in consequence of the termination of the agreement referred to in paragraph (a) or otherwise, is or is proposed to:</u></p> <p>(i) <u>be entered into between all of the parties to the agreement referred to in paragraph (a); and</u></p> <p>(ii) <u>include provisions which concern or relate to the same subject matter as the provisions in the agreement referred to in paragraph (a).</u></p>
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PART 2A

STANDARD CONDITIONS APPLICABLE TO THE CONVEYANCE OF GAS BY DESIGNATED PIPELINE OPERATORS

Part 2 of the Licence incorporates the standard conditions applicable to the conveyance of gas by designated pipeline operators set out in Part 2A of the standard conditions of licences for the conveyance of gas.

Condition 2A.1 – Interpretation and Construction

2A.1.1 Definitions

In Part 2A of this Licence, except where expressly stated to the contrary and unless the context otherwise requires, the following terms shall have the meanings ascribed to them below:

<u>“Activation Test”</u>	<u>means the test set out in the CMP Methodology Statement for assessing and determining whether there is contractual congestion in respect of an Interconnection Point;</u>
“Actual Figures”	means the Annual Exit Quantity and the Actual Firm Capacity figures to be provided by the Licensee to the Authority under Condition 2A.2.3.2(a);
“Actual Firm Capacity”	means the aggregate of GS Firm Capacity which has been held by Gas Suppliers in respect of a Gas Year and in respect of Entry and Exit Points on the Designated Network;
“Actual Required Revenue”	as the context requires, shall have the meaning ascribed to that term in the Special Conditions of this Licence or the meaning ascribed to it in the relevant licence of each Designated Pipeline Operator;
“Annual Capacity Product”	means a Capacity Product with a duration of one year that provides for capacity to be made available throughout a Gas Year;

“Annual Exit Quantity”	means the aggregate of all Gas Suppliers’ Exit Quantities in respect of a relevant Gas Year and in respect of Exit Points on the Designated Network;
“Auction Premium”	means the amount calculated in accordance with Condition 2A.2.5.3(d) for each Capacity Product in a relevant Gas Year;
“Auction Price”	means, in respect of auctions for Capacity Products that are bundled with the capacity products of an interconnected system operator, the share of the price determined in the auction that is payable to the Licensee;
“Auxiliary Payment”	means any sum (whether or not contingent) in addition to aggregate Monthly Postalised Payments which a PS Gas Supplier is committed to pay on an annual basis in respect of Minimum Quantity Value;
“Business Day”	means a day, other than a Saturday or Sunday, on which banks are open for ordinary banking business in Belfast;
“Buy-Back Capacity”	means capacity that has been allocated as Firm Capacity or OS Capacity (as the case may be) and subsequently made available for purchase by the Licensee in accordance with the OS Scheme and the Network Code;
“Capacity Figures”	shall have the meaning ascribed to that term in Condition 2A.2.3.1(b);
“Capacity Percentage”	shall have the meaning ascribed to that term in Condition 2A.2.5.3(b);
“Capacity Product”	means the products for the provision of capacity at Entry Points or Exit Points made available by Designated Pipe-line Operators listed in the Gas Product Multipliers and Time Factors Table;

"Capacity Reconciliation Payment"	means a charge or a payment, as the context requires, made by the Licensee to each of its Gas Suppliers, and as calculated in accordance with condition 2A.2.6.4;
<u>"CMP Methodology Statement"</u>	<u>means the document required to be prepared in accordance with Condition 2A.2.1.12 setting out the Designated Pipe-line Operators' arrangements for implementing Congestion Management Procedures;</u>
"Commodity Percentage"	shall have the meaning ascribed to that term in Condition 2A.2.5.2(a);
"Commodity Reconciliation Payment"	means a charge or a payment as the context requires, made by the Licensee to each of its Gas Suppliers in respect of the difference between the Forecast Postalised Commodity Charge and the Year-End Postalised Commodity Charge applied to a Gas Year;
<u>"Congestion Management Procedures"</u>	<u>means procedures in relation to:</u> <u>(a) the surrender, by any person, of capacity held by them in respect of any IP Entry Point;</u> <u>(b) the monitoring of utilisation of capacity, in relation to any IP Entry Point, for the purposes of assessing whether it is necessary to apply the:</u> <u>(i) Long Term Use or Lose it Rules; and/or</u> <u>(ii) Firm Day Ahead Use it or Lose it Rules;</u>
"Credit Committee"	means the committee which is convened and operates in accordance with the Terms of Reference;
"Debt Entitlement"	shall have the meaning ascribed to that term in Condition 2A.6.1.2(b);

“Debt Notice”	means a notice issued by the PSA as contemplated by Condition 2A.4.3.1(f);
“Debt Notice Date”	means the date on which the PSA shall issue the Debt Notice each month as contemplated by Condition 2A.4.3.1(f), being the eighth Business Day in the relevant month;
“Debt Payment”	means a charge payable by a PS Gas Supplier in respect of PS Notified Debt as contemplated by Condition 2A.3.4 and as detailed in the applicable Debt Notice;
“Debt Repayment”	means a repayment payable to a PS Gas Supplier in respect of a Recovery as contemplated by Condition 2A.3.4.3(ii) and as detailed in the applicable Debt Notice;
“Designated Network”	means such part(s) of the Licensee’s network as is or are designated from time to time pursuant to the Designation Order;
“Designated Pipe-line Operator”	means a person licensed to convey gas under Article 8(1)(a) of the Order through the Postalised System, including the Licensee;
“Designated Pipe-line Operators Agreement”	shall have the meaning ascribed to that term in Condition 2A.6.2.1;
“Designation Date”	means the date specified in a Designation Order on which any part of the Licensee’s network shall be designated as postalised;
“Designation Order”	means an order made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003 designating gas pipe-lines comprised within the Licensee’s network as being subject to a common tariff;
“Directions”	shall have the meaning ascribed to that term in Condition 2A.3.2;

“Distribution Business”	means, where applicable, a Separate Business of the Licensee which carries on the business of conveyance of gas through distribution pipe-lines and which, with the Authority’s consent, may hold Firm Capacity;
“Due Date”	means the date on which payment of an invoice in respect of any PS Transmission Payment falls due, being the tenth Business Day in the month next after the month in which the relevant invoice was issued and shall be stipulated in the Network Code;
“Entry Overrun Charge”	means an entry overrun charge payable by a Gas Supplier in respect of an Entry Point where the quantity of gas allocated to the Gas Supplier under the Network Code exceeds the capacity booked by the Gas Supplier under the Network Code at that Entry Point, which charges are to be calculated in accordance with the Gas Transmission Charging Methodology Statement;
“Entry Point”	means a point of interconnection between the network of a Designated Pipe-line Operator and any other transmission pipe-line (except for any other transmission pipe-line operated by another Designated Pipe-line Operator) at which capacity is subject to booking procedures pursuant to the Network Code of that Designated Pipe-line Operator and which constitutes an Entry Point under the Network Code;
“Entry Point Additional Capacity”	means in respect of a given time the amount of additional capacity (in kWh/day), in excess of the Entry Point Technical Capacity, determined as available (on a firm basis) by the Designated Pipe-line Operator (on whose network the Entry Point is located) in accordance with the OS Scheme and the Network Code of that Designated Pipe-line Operator;
“Entry Point Technical Capacity”	means in respect of a given time the maximum capacity (in kWh/day) available on a firm basis at an Entry Point taking

	account of the technical requirements of such Entry Point, system integrity and the operational requirements of the network;
“Entry”, “Entering”	or forms thereof, refers to the input of gas at an Entry Point;
“Exit”, “Exiting”	or forms thereof, refers to the offtaking of gas at an Exit Point;
“Exit Point”	means a point on the Designated Network at which gas is offtaken from the Designated Network by a Gas Supplier, which is not a Transit Point and which constitutes an Exit Point under the Network Code;
“Exit Quantity”	means the total quantity of gas, (measured in kWh) allocated to the Licensee’s relevant Gas Supplier in respect of an Exit Point within a certain period, or any applicable Minimum Quantity Value in respect of such period, if higher;
“Exit Ratchet Charge”	means, at any relevant time in respect of a Gas Supplier, charges relating to nominations in excess of Firm Annual Capacity (in kWh/day) deemed to be held at such time by such Gas Supplier in respect of an Exit Point in accordance with the provisions of the Network Code, the charge for which shall be calculated in accordance with Condition 2A.2.5.3(b);
“Firm Annual Capacity”	means, at any relevant time in respect of a Gas Supplier and a Gas Year, annual capacity (in kWh/day) held at such time by such Gas Supplier by way of Annual Capacity Products on a firm basis in respect of an Entry Point or an Exit Point and in respect of that Gas Year;
“Firm Capacity”	means, at any relevant time in respect of a Gas Supplier and a Gas Year, the total of Firm Annual Capacity and Firm Non-Annual Capacity (in kWh/day) held at such time by such Gas Supplier and that Gas Year except that if any Minimum Capacity Value in respect of such Gas Year and such Gas Supplier is greater than such held capacity then such Gas

	Supplier shall be deemed to hold a Firm Capacity equal to that Minimum Capacity Value;
<u>"Firm Day Ahead Use it or Lose it Rules"</u>	<u>means the requirements of point 2.2.3 of Annex 1 to Regulation (EC) No. 715/2009 (as amended);</u>
"Firm Non- Annual Capacity"	means, at any relevant time in respect of a Gas Supplier and a Gas Year (or any relevant part thereof), the capacity (in kWh/day) held at such time by such Gas Supplier by way of Non-Annual Capacity Products on a firm basis in respect of an Entry Point or an Exit Point and in respect of the relevant part of that Gas Year, but shall not include any OS Capacity;
"Forecast Annual Quantity"	shall have the meaning ascribed to that term in Condition 2A.2.3.1(a)(i);
"Forecast Figures"	shall mean such figures as are notified to the Authority under Condition 2A.2.3.1(a) as amended by any notice given by the Authority under Condition 2A.2.3.1(e), or such figures as are determined by the Authority under Condition 2A.2.3.1(g), as appropriate;
"Forecast Postalisation Formulae"	means the formulae set out in Condition 2A.2.5;
"Forecast Postalised Annual Capacity Charge"	means a charge in respect of each kWh/day of Firm Annual Capacity held by the Licensee's Gas Suppliers in respect of an Entry or an Exit Point in a Gas Year which shall be calculated in accordance with Condition 2A.2.5.3(b);
"Forecast Postalised Non Annual Capacity Charge"	means a charge in respect of each kWh/day of Non-Annual Firm Capacity held by the Licensee's Gas Suppliers in respect of an Entry Point in a Gas Year which shall be calculated in accordance with Condition 2A.2.5.3(c);
"Forecast Postalised Charges"	means the Forecast Postalised Commodity Charges, the Forecast Postalised Annual Capacity Charges, the Forecast

	Postalised Non-Annual Capacity Charges , and charges for the VRF Service;
“Forecast Postalised Commodity Charge”	means a charge in respect of each kWh of gas allocated to the Licensee’s Gas Suppliers for Exit from the Designated Network in a Gas Year which shall be calculated in accordance with Condition 2A.2.5.2;
“Forecast Required Revenue”	as the context requires, shall have the meaning ascribed to that term in the Special Conditions of this Licence;
“Forecast Supplier Quantity”	means the quantity of gas which a Gas Supplier forecasts it will Exit from the Designated Network in a given period, provided that, if in relation to a Gas Supplier such quantity is less than any applicable Minimum Quantity Value, the Forecast Supplier Quantity in relation to such Gas Supplier shall be such Minimum Quantity Value;
Gas Product Multipliers and Time Factors Table	A table approved annually by the Authority following consultation setting out the Capacity Products to be offered by the DPOs and the weightings for Capacity Products to be used in the calculation of the Postalised Charges. The updated Table shall be published by the Licensee.
“Gas Supplier”	means any person authorised by licence under Article 8 of the Order or by exemption under Article 7 of the Order to supply gas, (including the Licensee as so authorised or exempted) and who is entitled to Exit gas from the Designated Network or any person who is not so authorised, but with the Authority’s consent either: (i) holds Firm Capacity; or (ii) is entitled to Exit gas from the Designated Network as if it were a Gas Supplier, but shall not include the Licensee if and to the extent that it is providing balancing gas in respect of any part of the Postalised System;

"Gas Transmission Charging Methodology Statement"	means the statement published by the Licensee on its website concerning the methodology for the calculation of gas transmission charges, as provided for in Condition 2A.2.1.9.
"Gas Year"	means the period of time beginning at 05:00 hours on 01 October in any calendar year and ending at 05:00 hours on 01 October in the next succeeding calendar year;
<u>"GB Uniform Network Code"</u>	<u>means the uniform network code prepared pursuant to standard special condition A11 of the gas transporter licences granted or treated as granted under section 7 of the Gas Act 1986;</u>
"GS Annual Exit Quantity"	shall have the meaning ascribed to that term in Condition 2A.2.6.4(e);
"GS Firm Capacity"	means the total of GS Firm Annual Capacity and GS Firm Non Annual Capacity held by a Gas Supplier in respect of all Entry Points and Exit Points on the Designated Network in a Gas Year;
"GS Firm Annual Capacity"	means the Firm Annual Capacity held by a Gas Supplier in respect of all Entry Points and Exit Points on the Designated Network in a Gas Year multiplied in each case by the aggregate number of months in respect of which such Firm Annual Capacity is held in such Gas Year;
"GS Firm Non Annual Capacity"	means the Firm Non Annual Capacity held by a Gas Supplier in respect of all Entry Points and Exit Points on the Designated Network in a Gas Year;
<u>"HP Conveyance Licensee"</u>	<u>has the meaning given to it in Condition 2.17 (Single System Operation Arrangements) of the Licence;</u>
"Initial Firm Capacity"	means the total of all Firm Annual Capacity held by the Licensee's Gas Suppliers in respect of a Gas Year as at the last Business Day of June preceding such Gas Year and the

	total Firm Non-Annual Capacity forecast to be held by the Licensee's Gas Suppliers in respect of [the same] a Gas Year;
"Invoice Date"	means the tenth Business Day in a month;
<u>"Interconnection Point"</u>	<u>has the meaning given to it in the Network Code;</u>
"kWh"	means 3,600,000 joules as defined in ISO 1000-1981(E);
"LIBOR"	means the sterling London Interbank Offered Rate as published in the Financial Times from time to time;
<u>"Long Term Use it or Lose it Rules"</u>	<u>means the requirements of point 2.2.5 of Annex 1 to Regulation (EC) No. 715/2009 (as amended);</u>
"Minimum Capacity Value"	means any minimum quantum of capacity (in kWh/day) in respect of which a PS Gas Supplier is obliged under contract to the Licensee or to any other Designated Pipe-line Operator to pay transmission charges in respect of a Gas Year;
"Minimum Quantity Value"	means any minimum quantity of gas (in kWh) in respect of which a PS Gas Supplier is obliged under contract to the Licensee or to any other Designated Pipe-line Operator to pay transmission charges in respect of a Gas Year or part thereof;
<u>"Moffat Non-IP Entry Point"</u>	<u>has the meaning given to it in the Network Code;</u>
"Monthly Debt Payment Entitlement"	means the entitlement of a Designated Pipe-line Operator in respect of the Net Debt Position in a month, calculated in accordance with Condition 2A.6.1.2(b);
"Monthly Distribution"	has the meaning ascribed in Condition 2A.6.1.4,
"Monthly Entitlements"	means Monthly Postalised Entitlements and Monthly Debt Payment Entitlements;

“Monthly Postalised Capacity Payment (Annual Capacity)”	means the amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.4(b);
“Monthly Postalised Capacity Payment (Non Annual Capacity)”	means the amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.4(c);
“Monthly Postalised Capacity Payment”	means the total amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in respect of the “Monthly Postalised Capacity Payment (Annual Capacity)” and the “Monthly Postalised Capacity Payment (Non Annual Capacity)”;
“Monthly Postalised Commodity Payment”	means an amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.2(b);
“Monthly Postalised Entitlement”	means the entitlement of a Designated Pipe-line Operator in respect of Monthly Postalised Payments and any Auxillary Payment payable into the PoT Account in a month, calculated in accordance with Condition 2A.6.1.2(a)(i);
“Monthly Postalised Payments”	means Monthly Postalised Commodity Payments and Monthly Postalised Capacity Payments;
“Net Debt Position”	means a balance calculated in respect of a month with reference to PS Notified Debt and Recoveries in accordance with Condition 2A.3.4.3 and in respect of which a Debt Payment or Debt Repayment may be made;
“Non Annual Capacity Product”	means a Capacity Product for a period shorter than a Gas Year that provides for capacity to be made available in a Gas Year;
“Non Payment Month”	means a month in which a relevant PS Non-Payment occurred;

“Oversubscription Capacity” or “OS Capacity”	means in respect of a given time, an amount of additional capacity (in kWh/day) (not exceeding the Entry Point Additional Capacity) which is available for allocation on a firm basis or is allocated on a firm basis at an Entry Point, for a duration of one Day as a result of the availability of Entry Point Additional Capacity and as determined in accordance with the OS Scheme and the Network Code;
“OS Charging Statement”	has the meaning given in the OS Conditions;
“OS Conditions”	means Condition 2A.2.1.11 to Condition 2A.2.1.21;
“OS Procedure”	has the meaning given to it in the OS Conditions;
“OS Scheme”	has the meaning given to it in the OS Conditions;
“OS Services”	has the meaning given in the OS Conditions;
“Postalised Charges”	means the Forecast Postalised Charges and/or the Year-End Postalised Charges as the case may be;
“Postalisation Conditions”	means the Conditions in Part 2A and the OS Conditions;
“Postalised System” or “PS”	means the system comprising all gas pipe-lines designated as being subject to a common tariff pursuant to all orders made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003 in force at such time;
“PoT Account”	shall have the meaning ascribed to that term in Condition 2A.5.3.1(a);
“Primary DPO”	means the Designated Pipe-line Operator holding a licence to convey gas in respect of a part of the Postalised System on which the PS Gas Supplier is entitled to exit gas;
“PSA”	shall have the meaning ascribed to that term in Condition 2A.4.1.1;

"PS Actual Required Revenue (PSARR)"	means, in respect of a Gas Year, the sum of all Actual Required Revenues in respect of such Gas Year;
"PSA Agreement"	shall have the meaning ascribed to that term in Condition 2A.4.1.1;
"PSA Functions"	shall have the meaning ascribed to that term in Condition 2A.4.3.1;
"PS Actual Firm Capacity"	[shall have the meaning ascribed to that term in Condition 2A.2.6.2];
"PS Annual Exit Quantity"	shall have the meaning ascribed to that term in Condition 2A.2.6.2;
"PS Forecast Annual Quantity"	shall have the meaning ascribed to that term in Condition 2A.2.5.2(a);
"PS Forecast Required Revenue (PSFRR)"	means in respect of a Gas Year the sum of all Forecast Required Revenues as such term is defined in each Respective Licence in respect of all Designated Pipe-line Operators in respect of such Gas Year;
"PS Gas Supplier"	means any person who is entitled to exit gas from the Postalised System;

“PS Non-Payment”	<p>means:</p> <p>(i) the failure of a PS Gas Supplier to pay into the PoT Account all or part of the PS Transmission Payments due from it by the Due Date, or the clawback by an administrator or liquidator of the amount of any payment (or part of such payment) made into the PoT Account by a PS Gas Supplier in respect of a PS Transmission Payment; or</p> <p>(ii) the amount of PS Transmission Payments which the relevant PS Gas Supplier has failed to pay or the amount which is subject to clawback by an administrator or liquidator as the context requires but shall not apply to any sums due under the Network Code upon termination of a PS Gas Supplier’s Accession Agreement in respect of periods after the date of termination;</p>
“PS Notified Debt”	<p>means, at any time, the aggregate of PS Non-Payments, excluding any VAT element, which are at that time or were prior to that time the subject of a notification by a Designated Pipe-line Operator to the PSA as contemplated in Condition 2A.3.4.1 of such Designated Pipe-line Operator’s licence;</p>
“PS Transmission Payments”	<p>means any amount payable by a PS Gas Supplier in respect of the provision of gas conveyance services on the Postalised System under Condition 2A.2.1.7 (Entry Overrun Charges and Exit Ratchet Charges); Conditions 2A.2.5.5 (Monthly Postalised Payments); 2A.3.4 (Debt Payments); and 2A.2.6.4 (Reconciliation Payments); <u>and</u> 2A.2.5.2(c) (Auxiliary Payments) and 2A.2.6.6 (Supplemental Payments) under each Designated Pipe-Line Operator’s Respective Licence;</p>
“Quantity Figures”	<p>shall have the meaning ascribed to that term in Condition 2A.2.3.1(b);</p>

“Quarter”	means each successive three calendar month period in a Gas Year, the first of which shall run from and including 05:00 hours 01 October until 05:00 hours 01 January in that Gas Year; and “Quarterly” shall be construed accordingly;
“Quarterly Capacity Quantities”	means for each Capacity Product the aggregate of Firm Annual Capacity or Firm Non Annual Capacity held by all Gas Suppliers in a Quarter;
“Quarterly Exit Quantity”	means the aggregate of Exit Quantities in a Quarter;
“Reconciliation Payment”	means the Capacity Reconciliation Payment and the Commodity Reconciliation Payment;
“Reconciliation Payment Formulae”	means the formulae contained in Conditions 2A.2.6.4(a) to (e) and 2A.2.6.5 in accordance with which Reconciliation Payments shall be calculated;
“Recovery”	means any amount (other than a Debt Payment) paid by or on behalf of a PS Gas Supplier either directly into the PoT Account or to a Designated Pipe-line Operator and subsequently paid by that Designated Pipe-line Operator into the PoT Account, in full or partial satisfaction of any PS Notified Debt attributable to that PS Gas Supplier;
“Relevant Charge Date”	shall have the meaning ascribed to that term in Condition 2A.2.5.7;
“Respective Licence”	means in respect of each of the Designated Pipe-line Operators the licence for the conveyance of gas granted to it pursuant to Article 8(1) of the Order or that part of a combined licence relating to the conveyance of gas;
“Second Due Date”	means, in respect of a PS Non-Payment which occurred in a Non-Payment Month, the fifteenth Business Day after the respective Due Date as stipulated in the Network Code;

<p>“Separate Business”</p>	<p>means each of the following businesses of the Licensee (as appropriate):</p> <p>(i) the conveyance of gas through a transmission pipe-line pursuant to a licence granted in accordance with Article 8(1)(a) of the Order;</p> <p>(ii) the distribution of gas through distribution pipe-lines pursuant to a licence granted in accordance with Article 8(1)(a) of the Order; and</p> <p>(iii) the supply of gas pursuant to a licence granted in accordance with Article 8(1)(c) of the Order</p> <p>each taken separately from one another and from any other business of the Licensee or any affiliate or related undertaking of the Licensee;</p>
<p><u>“Stranraer Exit Point”</u></p>	<p><u>has the meaning given to it in the Network Code;</u></p>
<p><u>“Stranraer Shipper”</u></p>	<p><u>means the person appointed, under the GB Uniform Network Code, to ship gas from the Moffat Non-IP Entry Point to the Stranraer Exit Point pursuant to the terms of the Network Code;</u></p>
<p><u>“Supplemental Payment”</u></p>	<p>means any sum (whether or not contingent) in addition to aggregate Monthly Postalised Payments which a PS Gas Supplier is committed to pay on an annual basis in respect of transmission through the Postalised System and which is calculated otherwise than on the basis of a minimum quantity of gas or minimum quantum of capacity;</p>
<p>“Supply Business”</p>	<p>means, where applicable, the Separate Business of the Licensee which carries on the business of the supply of gas;</p>
<p>“Termination Payments”</p>	<p>means any amount payable on the termination of a Gas Supplier’s Accession Agreement under the terms of the Network Code;</p>

"Terms of Reference"	means the terms of that name appended to the Network Code which govern the operation of the Credit Committee;
"Total Monthly Payments"	shall have the meaning ascribed to that term in Condition 2A.3.4.3;
"Transit", "Transiting"	or forms thereof, refers to the conveyance of gas through the Designated Network to another part of the Postalised System;
"Transit Point"	means a point of interconnection between the Designated Network and another pipe-line forming part of the Postalised System;
"Trust and Account Bank Agreement"	means the agreement in the form approved by the Authority and made between the Designated Pipe-line Operators, the Trustee and account bank which governs the operation of the PoT Account;
"Trustee"	shall have the meaning ascribed to that term in Condition 2A.5.1.1;
"Trustee Functions"	shall have the meaning ascribed to that term in Condition 2A.5.3.1;
"Total Weighted Forecast Capacity"	means the figure calculated in accordance with 2A.2.5.3(a)
"Total Weighted Year-End Capacity"	means the figure calculated in accordance with 2A.2.6.3(a)
"Undesignated Network"	means such part(s) of the network as is or are not from time to time comprised in the Designated Network;
"Unrecovered Postalisation Payments"	shall have the meaning ascribed to that term in Condition 2A.4.3.1(l);

“VAT Distributions”	means distributions made by the Trustee on the instructions of the PSA from the PoT Account as calculated in accordance with Condition 2A.4.3.1 (d);
“VRF Service”	means the Interruptible Virtual Reverse Flow service offered by the Licensee in accordance with Condition 2A.2.1.6 and Conditions 2A.2.1.8 to 2A.2.1.10;
“Year-End Amount”	shall have the meaning ascribed to that term in Condition 2A.6.1.3;
“Year-End Postalisation Formulae”	means the formulae set out in Condition 2A.2.6;
“Year-End Postalised Annual Capacity Charge (Annual Capacity)”	means a year-end charge in respect of each kWh/day of Firm Annual Capacity held by the Licensee’s Gas Suppliers in respect of an Entry Point or an Exit Point in a Gas Year which shall be calculated in accordance with Condition 2A.2.6.3(b);
“Year-End Postalised Non-Annual Capacity Charge”	means a year-end charge in respect of each kWh/day of Firm Non- Annual Capacity held by the Licensee’s Gas Suppliers in respect of an Entry Point or an Exit Point in a Gas Year which shall be calculated in accordance with Condition 2A.2.6.3(c);
“Year-End Postalised Capacity Charge”	means the total charges applicable to each kWh/day of Firm Capacity held by each Gas Supplier for Entry and or Exit from any part of the Designated Network in respect of a Gas Year in accordance with Condition 2A.2.6.3(b) and 2A.2.6.3(c);
“Year-End Postalised Charge”	means the Year-End Postalised Capacity Charge and the Year-End Postalised Commodity Charge; and
“Year-End Postalised Commodity Charge”	means a charge applicable to each kWh of gas allocated to each Gas Supplier in respect of an Exit Point during a Gas Year in accordance with Condition 2A.2.6.2.

2A.2.1.9 The Licensee shall, not later than 1 July in the Gas Year 2015 / 2016 and in each subsequent Gas Year, publish a Gas Transmission Charging Methodology Statement approved by the Authority (and in a manner so approved) showing the charges referred to in Condition 2A.2.1.7 in respect of Entry Overrun Charges and Condition 2A.2.1.8(a) in respect of each kWh/day of VRF Services to be provided in the forthcoming Gas Year.

2A.2.1.10 The Licensee shall not make any changes to the Gas Transmission Charging Methodology Statement without the prior written approval of the Authority. If the Authority does not approve the Gas Transmission Charging Methodology Statement (or any changes to it) submitted to the Authority, the Licensee must make such modifications to the statement as the Authority may direct and must re-submit the statement to the Authority for approval.

Capacity increase through oversubscription and buy back scheme and congestion management

2A.2.1.11 The Licensee shall, in co-operation and conjunction with every other Designated Pipe-line Operator, and following consultation with such interested parties as the Licensee considers likely to be affected by no later than 12 December 2013 prepare and submit for approval to the Authority arrangements for the Oversubscription and Buy-Back of capacity, to be known as the OS Scheme.

~~2A.2.1.11~~2A.2.1.12 The Licensee shall, in co-operation and conjunction with every other Designated Pipe-line Operator, and following consultation with such interested parties as the Licensee considers likely to be affected, prepare and submit to the Authority for approval, arrangements for implementing Congestion Management Procedures (the **CMP Methodology Statement**) by no later than 12 December 2013 prepare and submit for approval to the Authority arrangements for the Oversubscription and Buy-Back of capacity, to be known as the OS Scheme.

~~2A.2.1.12~~2A.2.1.13 If the Authority does not approve the OS Scheme and/or the **CMP Methodology Statement** submitted to it, the Authority may issue a direction requiring the Licensee and every other Designated Pipe-line Operator to

make such modifications to the OS

Scheme and/or the CMP Methodology Statement which have been submitted to it as are specified in the direction.

~~2A.2.1.13~~2A.2.1.14 The Licensee shall implement and comply with the OS Scheme. The OS Scheme shall:

- (a) set out the circumstances in which (and the basis on which) the Licensee will:
 - (i) offer to allocate, and allocate, OS Capacity;
 - (ii) offer to purchase, and purchase, Buy-Back Capacity,collectively referred to as the “OS Services”;
- (b) set out the methodology for determining the Entry Point Additional Capacity and the amount of OS Capacity that may be offered at a given time in respect of a given Entry Point, and the entry points of other DPOs as defined in their licences;
- (c) include a charging methodology statement which sets out the methodology for determining the charges for the provision of OS Services (the “OS Charging Statement”);
- (d) include provisions setting out the basis on which (and times at which) net revenues received in respect of the provision of OS Services are to be apportioned, such provisions to include:
 - (i) the definition of net revenues by reference to which such apportionment is to be made;
 - (ii) the proportions as determined by the Authority (from time to time) which shall apply to the apportionment of the net revenues, received in respect of the provision of the OS Services, between (i) the Licensee and any other Designated Pipe-line Operator, and (ii) Gas Suppliers, PS Gas Suppliers and the UC Gas Supplier; and
 - (iii) the timing of such payments following apportionment; and

- (e) comply with the requirements of point 2.2.2 of Annex 1 to the EC Regulation 715/2009.

~~2A.2.1.14~~2A.2.1.15 The processes and procedures to be adopted for the purposes of implementing the OS Scheme, allocating OS Capacity and purchasing Buy-Back Capacity shall be set out in the Licensee's Network Code (the "OS Procedures").

~~2A.2.1.15~~2A.2.1.16 The Licensee shall not impose or make payments of (as the case may be) charges in respect of the provision of OS Services which are applicable at the relevant time of provision, other than as set out in (or as determined in accordance with) the OS Charging Statement.

~~2A.2.1.16~~2A.2.1.17 The charges referred to in Condition 2A.2.1.~~43~~14(c) and 2A.2.1.~~45~~16 shall, in respect of a Gas Year, not be subject to reconciliation or other adjustment on any ground.

~~2A.2.1.17~~2A.2.1.18 The Licensee shall:

- (a) not allocate OS Capacity (or purchase any Buy-Back Capacity) other than in accordance and in compliance with the OS Scheme and the Network Code;
- (b) not apply the Congestion Management Procedures other than in accordance and in compliance with the CMP Methodology Statement and the Network Code;
- (c) in accordance and in compliance with the OS Scheme, the CMP Methodology Statement, and the Network Code, from time to time carry out an Activation Test to determine whether there is contractual congestion at an Interconnection Point and publish the findings of each Activation Test carried out by it in a manner that will bring it to the attention of interested parties;
- (d) ensure that it does not activate any or all of the mechanisms set out in the OS Scheme and CMP Methodology Statement for an Interconnection Point until either:

- (i) the Activation Test for that Interconnection Point has been passed; or
- (ii) where the Activation Test for that Interconnection Point has not yet been passed, without the prior approval of the Authority.

2A.2.1.182A.2.1.19 The Licensee shall:

- (a) not make any changes to the OS Scheme (including the OS Charging Statement) or the CMP Methodology Statement without the prior written approval of the Authority;
- (b) in cooperation and conjunction with other Designated Pipe-line Operators, make such changes to the OS Scheme and/or the CMP Methodology Statement as are set out in any direction issued, to the Licensee and other Designated Pipe-line Operators, by the Authority;
- (c) publish the most up to date and approved OS Scheme and CMP Methodology Statement in a manner that will bring it to the attention of interested parties and provide a copy on request to any person.

2A.2.1.192A.2.1.20 In applying or giving effect to the Conditions in this Part 2A (but without limiting Conditions 2A.2.1.7(a) and (b)) it shall be conclusively presumed that:

- (a) the amounts payable to the Licensee for the allocation of OS Capacity (and the amounts payable to any other Designated Pipe-line Operator for the allocation of capacity which is defined as OS Capacity in the Respective Licence of such Designated Pipe-line Operator), do not constitute PS Transmission Payments and are not to be paid into the PoT Account; and
- (b) any OS Capacity allocated pursuant to the Network Code (and / or, as the context requires, the Network Code of any other Designated Pipe-line Operator) in accordance with the OS Scheme does not constitute (and shall not be taken into account in any calculation of) Actual Firm Capacity, Firm Capacity, GS Firm Capacity, or Initial Firm Capacity.

2A.2.1.202A.2.1.21 The Licensee shall, notwithstanding any other contrary provision in any of the Conditions of this Licence, apply charges for OS Capacity allocated

(and pay for any Buy-Back Capacity bought) in accordance with the OS Scheme and the relevant provision of the Licensee's Network Code and (if and to the extent it would otherwise would be the case) the application of such charges shall not constitute a contravention of any of the Conditions of this Licence.

2A.2.1.22 The Licensee shall:

- (a) comply with the CMP Methodology Statement;
- (b) comply with a direction issued to it by the Authority under this paragraph to apply or cease to apply (as the case may be) the Firm Day Ahead Use it or Lose it Rules and/or mechanisms, as set out in the CMP Methodology Statement;
- (c) following activation of the mechanisms set out in the CMP Methodology Statement in accordance with Condition 2A.2.1.18(d):
 - (i) submit to the Authority by 30th April and 31st October of each Year the monitoring report prepared by it under and in accordance with CMP Methodology Statement on the demand for and utilisation of capacity (together with the underlying data used in preparing the report);
 - (ii) notify the Authority, as soon as reasonably practicable, of any proposed withdrawal of capacity from a Shipper pursuant to the
a Long Term Use it or Lose it rules and mechanisms and specifying:
 - (A) the Shipper from whom the capacity is proposed to be withdrawn;
 - (B) the amount of capacity proposed to be withdrawn; and
 - (C) the period for which the capacity is proposed to be withdrawn; and
 - (iii) where pursuant to any provision in the CMP Methodology Statement, the Licensee or a Shipper from whom capacity is

proposed to be

withdrawn refers any question relating to the proposed decision to the Authority for determination , comply with the Authority's determination.

2A.2.2 Charging methodology for the conveyance of gas

2A.2.2.1 Subject to Condition 2A.2.2.5, the Licensee shall charge each of its Gas Suppliers in respect of the Entry to and Exit of gas from, and holding of capacity on, the Designated Network the Monthly Postalised Payments in respect of each month or part thereof in a Gas Year in accordance with the terms of this Licence and the applicable provisions of the Network Code.

2A.2.2.2 The Licensee shall charge each of its Gas Suppliers any Debt Payment payable by them in accordance with any Debt Notice; and shall reduce any relevant invoice in respect of Monthly Postalised Payments by the amount of any Debt Repayment in accordance with any Debt Notice in each case in accordance with the terms of this Licence and the applicable provisions of the Network Code.

2A.2.2.3 On or before the 10th Business Day in December following the end of each Gas Year in respect of which the Licensee has charged Monthly Postalised Payments to a Gas Supplier pursuant to Condition 2A.2.5.5 the Licensee shall, subject to Condition 2A.2.2.5, ~~charge to such Gas Supplier any Supplemental Payment, and~~ charge or repay (as appropriate) to such Gas Supplier a Commodity Reconciliation Payment and a Capacity Reconciliation Payment applicable in respect of that Gas Year calculated in accordance with the Reconciliation Payment Formulae in Condition 2A.2.6.4(b).

2A.2.2.4 Unless the Authority otherwise expressly consents in writing the Licensee shall apply no charge on the Postalised System other than the PS Transmission Payments or as otherwise permitted under the Licence or the Network Code.

~~2A.2.2.5 The Licensee shall acknowledge that each PS Gas Supplier's obligation to pay PS Transmission Payments shall be consideration for the allocation by the Licensee to such PS Gas Supplier, their nominee or agent (such nominee or agent to be a PS Gas Supplier or otherwise approved by the Authority) of both Firm Capacity at a Transit Point on the Designated Network and the relevant quantity of gas for exit at a Transit Point for the purpose of the Transit of such gas.~~

2A.2.5.5 Total monthly invoices to Shippers

- (a) The total monthly capacity and commodity gas costs for Gas Supplier “s” in month “m” of year “t” shall be calculated as the sum of the annual and non-annual invoice amounts calculated in accordance with conditions 2A.2.5.2(a), 2A.2.5.4(ab) and 2A.2.5.4(c) above, ~~plus Exit Ratchet Charges and Entry Overrun Charges in month “m” of Gas Year “t”.~~
- (b) The total invoice amount for Gas Supplier “s” in month “m” of year “t” shall be calculated as follows:

$$TIA_{smt} = (TMGC_{smt}) \times (1 + VAT) + T_{smt} + D_{smt} + Aux_{smt} + ORC_{smt} + ERC_{smt} + VAT$$

Where:

“TIA_{smt}” is the total invoice amount for Gas Supplier “s” in month “m” of year “t”.

“TMGC_{smt}” is the total of Forecast Postalised Charges for Gas Supplier “s” in month “m” of year “t”, calculated in accordance with Condition 2A.2.5.5(a) above.

“VAT” is the appropriate ~~rate amount~~ of Value Added Tax which will be applied to the applicable elements of the invoice.

“T_{smt}” is the amount of the termination payment allocated to Gas Supplier “s” in month “m” of year “t”.

“D_{smt}” is the amount of the Debt Payment allocated to Gas Supplier “s” in month “m” of year “t”.

“Aux_{smt}” means Auxiliary Payment payable by Gas Supplier “s” in month “m” of year “t” and calculated in accordance with condition 2A.2.5.2(c) above.

“ORC_{smt}” means the Entry Overrun Charges payable by Gas Supplier “s” in month “m” of year “t”.

“ERC_{smt}” means the Exit Ratchet

Charges payable by Gas Supplier “s” in month “m” of year “t”.

2A.2.6 Year-End Postalised Charges

- 2A.2.6.1 The Year-End Postalised Charges shall comprise a Year-End Postalised Commodity Charge calculated in accordance with Condition 2A.2.6.2 and a Year-End Postalised Capacity Charge for each Capacity Product listed in the Gas Product Multipliers and Time Factors Table calculated in accordance with Condition 2A.2.6.3 in each case calculated by the PSA. ~~In addition, where one or more Gas Suppliers is or are subject to a commitment to make a Supplemental Payment the Licensee shall comply with Condition 2A.2.6.6.~~

2A.2.6.2 Year-End Postalised Commodity Charge

The Year-End Postalised Commodity Charge in respect of each kWh of gas allocated to each Gas Supplier under the Network Code in respect of each Exit Point on each day during a Gas Year “t” shall be calculated as determined in accordance with the following formula, the components of which shall be in relation to Gas Year “t”:

$$\text{YEPComC}_t = \frac{((\text{PSARR}_t - T_t) * \text{Commodity Percentage}) - \text{Supplemental Payments}_t}{(\text{PS Annual Exit Quantity}_t)}$$

where:

YEPComC_t means the Year-End Postalised Exit Commodity Charge for Gas Year “t”;

PSARR_t means the PS Actual Required Revenue in respect of Gas Year “t”;

T_t means any Termination Payments payable in respect of PS Transmission Payments relating to Gas year “t”

$\text{PS Annual Exit Quantity}_t$ means the sum of the Annual Exit Quantities (as that term is defined in each Designated Pipe-line Operator’s Respective Licence) for the relevant Gas Year “t”.

2A.2.6.5 The Total Reconciliation Payment shall be calculated in respect of each Gas Supplier “s” for Gas Year “t” as:

$$TRP_{st} = ComRP_{st} + CapARP_{stp} + CapNARP_{stp} - TORC_{st}$$

Where:

TRP_{st} is the Total Reconciliation Payment to Gas Supplier “s” in Gas Year “t”;

ComRP_{st} is the Commodity Reconciliation Payment for Gas Supplier “s” in Gas Year “t”, calculated in accordance with condition 2A.2.6.4(e) above;

CapARP_{stp} is the Annual Capacity Reconciliation Payment for Gas Supplier “s” in time period “t”, calculated in accordance with condition 2A.2.6.4(c) above;

CapNARP_{stp} is the Non-Annual Capacity Reconciliation Payment for Gas Supplier “s” in time period “t”, calculated in accordance with condition 2A.2.6.4(d) above;

~~TORC_{ut} is the proportion of the total of the Entry Overrun Charges due to Gas Supplier “u” in Gas Year “t” calculated according to the following formula:~~

~~$$TORC_{ut} = \frac{\sum_{s=1}^n (ORC_{st} \times TIA_{ut})}{\sum_{s=1}^n TIA_{st}}$$~~

~~where:~~

TORC_{st} is the proportion of the total of the Entry Overrun Charges due to Gas Supplier “s” in Gas Year “t” calculated according to the following formula:

$$TORC_{st} = (\sum_{s=1}^n ORC_{st}) \times \frac{TIA_{st}}{\sum_{s=1}^n TIA_{st}}$$

where:

ORC_{st} is the charge to Gas Supplier “s” for Entry Overrun Charges in Gas Year “t”, calculated as the sum of monthly overrun charges as defined in Condition 2A.2.5.5;

$\sum_{s=1}^n ORC_{st}$ is the aggregated sum for all gas Suppliers of the Entry Overrun Charges in Gas Year “t” calculated as follows:

- (a) The sum of monthly overrun charges as defined in Condition 2A.2.5.5
plus
- (b) any Non-IP Entry Overrun Charges for Gas Year “t”, calculated in accordance with Part 3 of the gas conveyance licence granted pursuant to Article 8(1)(a) of the Order and held by Premier Transmission Limited.

$\sum_{s=1}^n TIA_{st}$ is the total invoice amount for all Gas Suppliers in Gas Year “t”, calculated as follows:

- (a) the total aggregated sum of the monthly invoice amounts, excluding the amounts relating to VAT, in Gas Year “t” for all Gas Suppliers, as calculated according to Condition 2A.2.5.5;
plus
- (b) the total aggregated sum of the monthly invoice amounts, excluding the amounts relating to VAT, in Gas Year t for the Stranraer Shipper, as calculated in accordance with Part 3 of the gas conveyance licence granted pursuant to

Article 8(1)(a) of the Order and held by
Premier Transmission Limited;

~~TIA_{ut} is the total invoice amount for Gas Supplier “u” in of year “t”, calculated as
the sum of monthly invoice amounts for Gas Supplier “u” calculated according to
Condition 2A.2.5.5~~

n is the total number of Gas Suppliers active in Gas Year
“t” plus, for the purposes of this calculation, the Stranraer
Shipper.

The Total Reconciliation Payment shall be due from a Gas Supplier “s” if a
positive value, and shall be due to a Gas Supplier “s” if a negative value.

~~2A.2.6.6 Where a Gas Supplier is subject to a commitment which gives rise to an obligation to make a Supplemental Payment in respect of any Gas Year the Licensee shall invoice the Gas Supplier promptly in accordance with the terms of the commitment and Condition 2A2.2.3 in respect of that Supplemental Payment and shall provide full details of the amount payable to the Authority, the PSA and the other Designated Pipe-line Operators.~~

Annex A Part 4

We are proposing to make amendments to Annex A part 4 relating to Supplemental income in order that the new condition drafting appears as follows:

1.4. Calculation of SI_t

The supplemental income to apply in the Formula will be calculated in accordance with the following formula.

$$FSI_t + [(ASI_{t-2} - FSI_{t-2}) * (1 + r_{n_{t-2}})(1 + r_{n_{t-1}})] + \text{Supplemental Income Adjustment}$$

where:

FSI_t is the Allowed Supplemental Income which should become due or receivable to the Licensee during Gas Year t ;

ASI_{t-2} is the Actual Supplemental Income for Gas Year $t-2$.

$r_{n_{t-1}}$ is the nominal weighted average rate of return in Gas Year $t-1$.

FSI_{t-2} is the Allowed Supplemental Income which should become due or receivable to the Licensee during Gas Year $t-2$;

$r_{n_{t-2}}$ is the nominal weighted average rate of return in Gas Year $t-1$

$r_{n_{t-1}}$ is the nominal weighted average rate of return in Gas Year $t-1$.

"The Supplemental Income Adjustment will be calculated as:

$$SI \text{ Adjustment} = \sum_{i=n}^{t-3} ((AASI_i - ASI_i) \cdot \prod_{j=i}^{t-1} (1 + r_j))$$

Where:

<u>SI Adjustment</u>	<u>is a one-off correction to be carried out in the year following the agreement of the enduring charging mechanism.</u>
<u>AASI</u>	<u>is the Adjusted Actual Supplemental Income, calculated following the agreement of the enduring charging mechanism for the years between prior to t-2.</u>
<u>n</u>	<u>is the year of the first Supplemental Income which needs to be adjusted.</u>