Last Modified: 18 November 2025

GAS CONVEYANCE LICENCE

FOR

GNI (UK) Ltd[1].

[1] The licence was originally granted to Bord Gais Eireann on 12 February 2002, assigned to BGE (UK) Ltd on 13 December 2002 and that the company name changed on 1 August 2015 to GNI (UK) Ltd.

LICENCE FOR THE CONVEYANCE OF GAS IN NORTHERN IRELAND

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GRANT AND TERM OF LICENCE

Licence granted under Article 8
of the Gas (Northern Ireland) Order
for the conveyance of gas

The Grant

1. Grant of Licence

The Director General, in exercise of the powers conferred by Article 8(1) of the Gas (Northern Ireland) Order 1996 (the "Order") grants to BGE (UK) Ltd. (the "Licensee") a Licence to convey gas in the area designated in Schedule 1 during the period specified in paragraph 3 below, subject to the Conditions set out in Parts 1 and 2 and the Schedules annexed hereto.

2. Modification and Revocation of Conditions

The Conditions referred to above are subject to modification or amendment in accordance with their terms and/or with Articles 14, 17, 17A and 18 of the Order and/or with any provision for the modification of the same in the Energy (Northern Ireland) Order 2003. The Licence is further subject to the terms as to revocation specified in Schedule 2 annexed hereto.

3. Term of Licence

The Licence shall come into force on 12 February 2002 and, unless revoked in accordance with the terms specified in Schedule 2, shall continue in force until determined by not less than 25 years' notice in writing given by the Authority to the Licensee, such notice not to be served earlier than 10 years from the date of grant of the Licence.

February 2002 *Douglas B McIldoon*

Director General of Gas for Northern Ireland

PART 1:

GENERAL CONDITIONS APPLICABLE TO THE LICENCE HOLDER

<u>Condition 1.1: Interpretation and Construction</u>

1.1.1 Interpretation Act (Northern Ireland) 1954 and Gas (Northern Ireland) Order 1996

Unless the contrary intention appears:

(a) words and expressions used in this or any of the following Parts of the Licence or in the Schedules hereto shall be construed as if they were in an enactment and the Interpretation Act (Northern Ireland) 1954 applied to them;

(b) references to an enactment shall include subordinate legislation and in both cases any statutory modification or re-enactment thereof after the date when the Licence comes into force; and

(c) words and expressions defined in the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 shall have the same meaning when used in this or any of the following Parts of the Licence or in the Schedules hereto.

1.1.2 <u>General Rules of Construction</u>

Unless otherwise specified:

(a) any reference to a numbered Part or Schedule is a reference to the Part or Schedule bearing that number;

(b) any reference to a numbered Condition is a reference to the Condition bearing that number in the Part in which the reference occurs and within any Condition a reference to "this Condition" shall be to the whole of the Condition under its heading;

(c) any reference to "the Conditions" means the Conditions to which the Licence is subject and references to "any Conditions" and to any cognate expression shall be construed accordingly;

(d) any reference to a numbered paragraph is a reference to the paragraph bearing that number in the Part, Condition or Schedule in which the reference occurs; and

(e) (without prejudice to any provision which restricts such variation, supplement or replacement) any reference to any agreement, Licence (other than this Licence), code or other instrument shall include a reference to such agreement, Licence, code or other instrument as varied, supplemented or replaced from time to time.

1.1.3 Headings

The heading or title of any Part, Condition, Schedule or paragraph shall not affect the construction thereof.

1.1.4 Time Related Obligations

Where any obligation of the Licensee is expressed to require performance within a specified time limit that obligation shall continue to be binding and enforceable after that time limit if the Licensee fails to perform that obligation within that time limit (but without prejudice to all rights and remedies available against the Licensee by reason of the Licensee's failure to perform within the time limit).

1.1.5 Natural Persons

These Conditions shall have effect as if, in relation to a Licence holder who is a natural person, for the words "it", "its" and "which" there were substituted the words "he", "his" or "whom" and cognate expressions shall be construed accordingly.

1.1.6 Definitions

Except where expressly stated to the contrary and unless the context otherwise requires, the following terms shall have the meanings ascribed to them below:

"affiliate"	means, in relation to any person, any company which is a subsidiary of such person or a company of which such person is a subsidiary or a company which is another subsidiary of a company of which such person is a subsidiary;
"amount"	means, in relation to gas, the energy content thereof expressed in kilowatt hours;
"auditors"	means the Licensee's auditors for the time being holding office in accordance with the

	requirements of Chapter 2 of Part 16 of the Companies Act 2006;
"authorisation of persons"	means the power of the Licensee to authorise persons, pursuant to Schedule 5 of the Order;
"Authority"	means the Northern Ireland Authority for Utility Regulation;
"balancing"	means (in relation to the Network and relevant period for balancing under the Network Code) taking such measures as may be available to the Licensee, in particular measures: (i) for managing the relationship between deliveries of gas to and offtakes from the Network during that period; and (ii) to maintain pressures in the Network at all levels; which will in the reasonable opinion of the Licensee, ensure the safety and efficiency of the Network in that or any subsequent relevant period;
"company"	means a company within the meaning of Section 1(1) of the Companies Act 2006 or any other body corporate;
"consumer"	means any person supplied with gas to premises;
"conveyance charges"	means the charges made by the Licensee for the conveyance of gas;

"conveyance services"	means all services provided by the Licensee of conveying gas to, through and within the Licensed Area;
“Department”	means the Department for the Economy;
Director General"	means the Director General of Gas for Northern Ireland;
"domestic consumer"	means a consumer supplied, or requiring to be supplied, with gas at Domestic Premises;
"domestic premises"	means premises where the supply of gas is taken wholly or mainly for domestic purposes;
"distribution pipe-line"	means any pipe-line which is not a transmission pipe-line;
“Energy Order”	means the Energy (Northern Ireland) Order 2003;
"exemption holder"	means the holder of an exemption under Article 7 of the Order;
"exercise of powers of entry"	means the Licensee entering any premises, in accordance with the powers conferred by Schedule 5 of the Order;
"first operational commencement date”	means the earlier of the date when gas first flows on a commercial basis through the North West pipe-line and the date the Authority deems the North West pipe-line to be operational;
"Formula Year"	means successive periods of twelve months, the first such period commencing on the first operational commencement date and the last such period commencing on the 24th

	anniversary of the first operational commencement date;
"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;
"Grant"	means the commencing section of this Licence by which the Director General granted the Licensee the Licence;
"information"	includes documents, accounts, estimates, returns, reports or other information;
"Licence"	means the Grant together with Parts 1 and 2 (incorporating the standard conditions of licence applicable to the conveyance of gas by designated pipeline operators referred to in Part 2A) and Schedules 1 and 2;
"Licensed Area"	means the area in which the Licensee is authorised to convey gas as set out in Schedule 1;
"Licensed Business"	means the activities connected with the conveyance of gas pursuant to the Licence;
"Licensee"	means 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;
"LNG Facility"	means a facility or terminal used for the liquefaction of gas or the importation, offloading and re-gasification of LNG and includes ancillary services and temporary storage for the re-gasification process and delivery to the gas transmission system but

does not include any part of the facility used for the storage of gas.

"Network"	“means all the pipe-lines (as defined by the Gas (Northern Ireland) Order 1996, and shall also include any plant, equipment or apparatus used for, or for any purposes connected with, the conveyance of gas) within the Licensed Area that are owned and/or operated by any Licensee, which pipe-lines shall, in the case of conveyance to consumer’s premises and for the purposes of this definition, be deemed to terminate immediately prior to the inlet of the first gas meter at such premises:”
" Network Code"	means the Single Network Code prepared under and in accordance with Condition 2.4D;
"non-domestic consumer"	means a consumer who is not a domestic consumer;
"non-domestic premises"	means premises which are not domestic premises;
"North West pipe-line"	means that section of the Licensee's transmission pipe-line running between the connection point on the Ballylumford to Torytown transmission pipe-line and the off-take at Coolkeeragh and inclusive of all gas plant;
“operational”	means in relation to any pipe-line that the pipe-line is in all respects complete and ready

for gas to flow and that in so far as it lies within the Licensee's control all necessary commissioning tests in respect of the pipe-line (as distinct from facilities to which such pipe-line is connected); have been successfully completed.

"Order"	means the Gas (Northern Ireland) Order 1996;
"owned"	means in relation to any gas meter title in or control over a meter and includes meters leased to a person;
"person"	means any company, firm, partnership, association, body corporate or individual;
"postalisation"	means the application of a system of uniform common tariffs for the transmission of gas through those transmission pipe-lines designated by the Department, irrespective of the proportion of those pipe-lines used;
"related undertaking"	means any undertaking in which any person has a participating interest within the meaning of section 421A of the Financial Services and Markets Act 2000;
"second operational commencement date"	means the earlier of the date when gas first flows on a commercial basis through the South North pipe-line and the date when the Authority deems the South North pipe-line to be operational;
"Separate Business"	means each of the activities of the Licensee connected with:

(a) the conveyance of gas by means of transmission pipeline pursuant to a licence granted in accordance with Article (8)(1)(a) of the Order; and

(b) the conveyance of gas by means of distribution pipeline pursuant to a licence granted in accordance with Article 8(1)(a) of the Order; and

(c) the storage of gas pursuant to a licence granted in accordance with Article 8(1)(b) of the Order; and

(d) the supply of gas pursuant to a licence granted in accordance with Article 8(1)(c) of the Order;

each taken separately from one another and from any other business of the Licensee or any affiliate or related undertaking of the Licensee, but so that where all or any part of any such business is carried on by an affiliate or related undertaking of the Licensee (save in respect of an affiliate or related undertaking which has a separate licence or exemption), such part of the business as is carried on by that affiliate or related undertaking shall be consolidated with any other such business of the Licensee (and of any other affiliate or related undertaking of the Licensee) so as to form a single Separate Business;

"South North pipe-line" means that section of the Licensee's transmission pipe-line running between the connection point on the North West pipe-line

	and the connection point on the Gas Networks Ireland transmission pipe-line system in the Republic of Ireland and inclusive of all gas plant;
“spur”	means a 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;
“ Storage Facility”	means a facility used for the storage of gas and includes any part of a LNG Facility used for storage but does not include: (a) any part of the facility that is used for production of gas, and (b) any facility which is reserved exclusively by or for the Licensee in carrying out functions authorised by the Licence.
"subsidiary"	has the same meaning as given to it in Article 1159 of the Companies Act 2006;
"transmission pipe-line"	means any pipe-line having a design operating pressure exceeding 7 bar gauge;
"transportation arrangements"	means the arrangements which Licence holders or exemption holders may have with the Licensee to have gas introduced into, conveyed by means of and taken out of the Network.

1.1.7 Singular/plural

The terms defined under Condition 1.1.6 shall include the singular and the plural, as the context requires.

1.1.8 Application

The Conditions shall only apply to the activities of the Licensee carried out in Northern Ireland except where otherwise expressly specified.

Condition 1.2: Separate Accounts for Separate Business

1.2.1 Financial years

For the purposes of this Condition the first financial year of the Licensee shall run from the date of Grant to the end of the accounting year and thereafter each financial year of the Licensee shall run from 1st January to the following 31st December.

1.2.2 Separate Business Accounting

This Condition applies for the purposes of ensuring that the Licensee (in conjunction with any affiliate or related undertaking of the Licensee) maintains internal accounting and reporting arrangements which enable:

(a) separate financial statements to be prepared for each Separate Business and showing the financial affairs of each such Separate Business; and

(b) facilitate the avoidance of discrimination, cross-subsidisation or distortion of competition between the Licensed Business and any other business of the Licensee.

In this regard the Licensee shall not be required to prepare such financial statements as if they were annual accounts (in relation to each Separate Business) prepared under section 394, 398 or 399 of the Companies Act 2006, but shall be required to prepare such accounts in accordance with this Condition.

1.2.3 Separation of Internal Accounts

The Licensee shall keep proper books of accounts and records in such a form so that the revenues and costs, assets and liabilities of, or reasonably attributable to, each Separate Business are separately identifiable in the books of the Licensee from those of any other business of the Licensee. Then the Licensee shall, so far as is reasonably practicable, prepare for each Separate Business on a consistent basis from its accounting records in respect of each financial year, financial statements comprising of:

(a) a profit and loss account;

(b) a statement of net assets at the end of the period;

(c) a cash flow statement for the period with a reconciliation to the financial statements specified in sub-paragraphs (a) and (b) above; and

(d) Balance sheet.

1.2.4 Apportionment

The financial statements prepared under Condition 1.2.3 shall set out and fairly present the costs (including depreciation), revenues, assets employed and liabilities of, or as may be reasonably attributable to, that Separate Business and showing separately and in appropriate detail the amounts of any revenue, cost, asset or liability which has been:

(a) charged from or to any other business of the Licensee (or of any affiliate or related undertaking of the Licensee); and/or

(b) apportioned between that Separate Business and any other business (such apportionment to be undertaken in accordance with the basis of apportionment approved by the Authority in accordance with Condition 1.2.6), together with a description of the charge or basis of apportionment.

1.2.5 Bases of apportionment

The Licensee shall, before the financial year commencing on 1st January 2003, notify the Authority of the basis of apportionment that it proposes to use for the financial statements in respect of each Separate Business for that financial year, and:

(a) the basis of apportionment in respect of those financial statements shall be the basis so proposed by the Licensee unless the Authority following consultation with the Licensee gives a direction requiring the use of any other basis; and

(b) except in so far as the Authority consents to the Licensee doing so the Licensee shall not change any basis of apportionment used in the financial statements in respect of any Separate Business for any financial year subsequent to the financial year commencing on 1st January 2003 from the basis used in the financial statements in respect of that Separate Business for that financial year.

1.2.6 Auditor's Reports

In respect of each set of financial statements prepared in accordance with this Condition in respect of a financial year, the Licensee shall:

(a) procure a report by the auditors and addressed to the Authority stating whether in their opinion that set of financial statements have been properly prepared in accordance with this Condition and give a true and fair view of the revenues, costs, assets and liabilities of, or reasonably attributable to, the Separate Business; and

(b) use its reasonable endeavours to procure a report by the auditors and addressed to the Authority verifying that the internal accounting and financial reporting arrangements of the Licensee are implemented in such a way as to ensure that there is no discrimination, cross-subsidisation or distortion of competition between the Separate Business and any other business of the Licensee.

1.2.7 Copies of accounts and auditor's reports to be provided to the Authority

The Licensee shall provide the Authority with a copy of each set of financial statements and auditor's reports required under this Condition as soon as reasonably practicable and in any event not later than six months after the end of each financial year.

1.2.8 Form of financial statements

Financial statements prepared for the purposes of this Condition shall, so far as reasonably practicable and unless otherwise approved by the Authority having regard to the purposes of this Condition:

(a) conform to UK generally accepted accounting principles and practices;

(b) state the accounting policies adopted; and

(c) be so prepared to a level of detail as may reasonably be required by the Authority and so that they may be reconciled with the published accounts of the Licensee under the Companies Act 2006.

1.2.9 Publication of Accounting Statements

The Authority may direct the Licensee to publish such accounting statements and reports (including but not limited to an auditor's report) as the Licensee is required to deliver to the Authority under this Condition 1.2 with the annual accounts of the Licensee.

1.2.10 Construction of "costs or liabilities"

References in this Condition to costs or liabilities of, or reasonably attributable to, any Separate Business shall be construed as excluding taxation, capital liabilities which do not relate principally to a particular Separate Business, and interest thereon; and references to any accounting statement shall be construed accordingly.

1.2.11 Notes of transactions with related undertakings

The Licensee shall set out in notes to its published annual accounts any transactions relating to the Licensed Business over £500,000 with related undertakings.

For the purpose of this Condition 1.2.11 “related undertaking" is:

(a) any company in respect of which the Licensee (or its parents or subsidiaries) holds 20% or more of the shares;

(b) any company in respect of which the Licensee (or its parents or subsidiaries) has the right to appoint or to remove a majority of the members of the board and is at the same time either a shareholder in that company or controls, pursuant to a shareholders' agreement, a majority of the voting rights in that undertaking.

1.2.12 Additional Definition

In this Condition, the following term shall have the meaning ascribed to it below:

"UK generally accepted accounting principles and practices" means the principles and practices prevailing from to time in the United Kingdom which are generally regarded as permissible or legitimate by the accountancy profession irrespective of the degree of use.

1.2.13 Provision of Accounts to the Department

The Licensee shall, where requested to do so by the Department, provide to the Department a copy of its accounting records for the period specified in the request.

Condition 1.3: Provision of Information to the Authority

1.3.1 Provision of Information

The Licensee shall, after receiving a request from the Authority for Information that the Authority may reasonably require or that it considers may be necessary to enable it to perform any of its functions relating to gas, as conferred, assigned, or transferred to it by or under any legislation, give that Information to the Authority when and in the form requested.

1.3.2 Licensee to comment on accuracy of Information

The Licensee shall after receiving a request from the Authority for reasoned comments on the accuracy and text of any Information (including that which has been provided by the Licensee in accordance with paragraph 1.3.1) relating to the Licensee's activities under or pursuant to this Licence which the Authority proposes to publish under Article 7 of the Energy Order, give such comments to the Authority when and in the form requested.

1.3.3 Exclusive of other powers to require Information

The power of the Authority to request Information under this Condition is in addition to the power of the Authority to request Information under or pursuant to any other Condition or any Schedule.

1.3.4 Limitation on obligation to provide Information

The Licensee is not required to comply with paragraph 1.3.1 if the Licensee could not be compelled to produce or give the Information in evidence in civil proceedings in the High Court.

1.3.5 Additional definition

In this Condition:

"Information"	means information (other than information subject to legal privilege) in any form or medium and of any description specified by the Authority and includes any documents, accounts, estimates, returns, records or reports and data of any kind (whether or not prepared specifically at the request of the Authority).

Condition 1.4: Consultation with the Consumer Council for Northern Ireland

1.4.1 Policy statements for Consumer Council for Northern Ireland

The Licensee shall in due time consult with the Consumer Council for Northern Ireland in the formulation of:

(a) its policies for the conduct of its business activities relating to the conveyance of gas insofar as they may affect consumers; and

(b) the general arrangements for their implementation;

and shall:

(c) give the Consumer Council for Northern Ireland reasonable notice of the publication, announcement or implementation (if no publication or announcement is made) of details of any significant change in any such policies and general arrangements; and

(d) give to the Consumer Council for Northern Ireland as the Consumer Council for Northern Ireland may reasonably request an explanation of any such significant change and of the implementation of those policies.

Condition 1.5: Restriction on Use and Disclosure of Certain Information

1.5.1 Use of protected information

Where the Licensee or any affiliate or related undertaking of the Licensee holds protected information, the Licensee shall (and shall procure that such affiliate or related undertaking shall) procure:

(a) that the Licensee shall not obtain any unfair commercial advantage from its possession of protected information with respect to any Separate Business;

(b) that protected information is not used by any other person for the purpose of obtaining for that person:

  (i) any unfair commercial advantage from its possession of protected information;

  (ii) any Licence;

  (iii) any exemption;

  (iv) control of any body corporate which, directly or indirectly, has the benefit of any such Licence or exemption; and

(c) that protected information is not disclosed except with the prior consent in writing of the relevant person whose affairs the protected information relates to;

provided that the obligation on the Licensee:

(d) to procure the above in relation to an affiliate or related undertaking which has control of the Licensee (control being defined by Section 450 (as read in conjunction with section 451) of the Corporation Tax Act 2010), shall be to do so by using reasonable endeavours and obtaining an appropriate contractual undertaking from that affiliate or related undertaking in respect of such protected information; and

(e) not to obtain any unfair commercial advantage from its possession of protected information under Condition 1.5.1 (a) shall be construed to exclude any protected information that is (i) received by any Separate Business undertaking activities not connected with the conveyance of gas, and (ii) received by that Separate Business independently of any Separate Business undertaking activities connected with the conveyance of gas.

1.5.2 Compliance with directions

The Licensee shall implement such measures and procedures and take all such other steps as shall be specified in directions issued by the Department from time to time under Article 45 of the Order or otherwise for the purposes of this Condition as reasonably appear to the Department to be requisite or expedient for the purpose of securing compliance by the Licensee with its obligations under Condition 1.5.1 in the conduct of its business to convey gas.

1.5.3 Limitation of non disclosure obligations

Condition 1.5.1(c) shall not apply to any disclosure of information:

(a) authorised by Article 63(3) or (4) of the Energy Order; or

(b) made in compliance with the duties of the Licensee or any Affiliate or related undertaking of the Licensee under the Order or the Energy Order or by any other requirement of a competent authority; or

(c) made in compliance with the Conditions of the Licence or any document referred to in the Licence with which the Licensee or any Affiliate or related undertaking of the Licensee is required by virtue of the Order or the Energy Order or the Licence to comply.

1.5.4 Additional definition

In this Condition the following term shall have the meaning ascribed to it below:

"protected information"	means any commercially confidential information which: (a) relates to the affairs of a person; and (b) has been furnished to, or otherwise acquired by, the Licensee or by any affiliate or related undertaking of the Licensee in the course of any dealings with that person or any affiliate or related undertaking of his,

other than information which is in, or comes into, the public domain other than as a result of breach by the Licensee of this Condition or of any Conditions of the Licence.

Condition 1.6: Powers of Entry

1.6.1 Arrangements for powers of entry

The Licensee shall not less than three months prior to the first operational commencement date:

(a) submit to the Authority a statement of its proposed arrangements in respect of the matters mentioned in Condition 1.7;

(b) if within 30 days of such submission the Authority notifies the Licensee that, in its opinion, the arrangements are not sufficient for the purposes of Condition 1.7, make changes to the arrangements requisite to secure compliance with such conditions as are specified by the Authority; and

(c) make such arrangements;

and the arrangements so made in this Condition and in Condition 1.7 are referred to as "the arrangements".

1.6.2 Changes in arrangements for extensions to Licence

In the event of an extension of its Licence, the Licensee shall ensure that the arrangements remain sufficient for the purposes of Condition 1.7 and shall make, subject to Condition 1.6.3, any necessary changes.

1.6.3 Consent of Authority to changes

The Licensee shall not make any material change to the arrangements except with the consent of the Authority, whose consent shall not be unreasonably withheld and shall be deemed to have been given, unless refused in writing within 2 months of receipt by the Authority of the application to make a material change by the Licensee.

<u>Condition 1.7: Authorisation of Persons</u>

1.7.1 <u>Steps to be included in the arrangements</u>

The arrangements shall comprise all reasonable steps:

(a) for securing that no person is authorised for the purpose of any provision of Schedule 5 to the Order unless in the reasonable opinion of the Licensee he is a fit and proper person to enjoy the rights conferred by that provision;

(b) for securing that any person authorised for the purpose of any provision of Schedule 5 to the Order possesses appropriate expertise to perform the particular task that he will be required to undertake under the provision in question;

(c) for securing that a member of the public may readily confirm the identity or authority of a person authorised for the purpose of any provision of Schedule 5 to the Order;

(d) for securing that identity cards, uniforms, vehicles and other things conveying evidence of authority or identity in relation to the Licensee are not misused; and

(e) for securing that all persons authorised by the Licensee comply with the provisions for entry where any justices' warrant is issued under Schedule 5 paragraph 6 to the Order.

1.7.2 <u>Licensee not to authorise a person to exercise any Powers of entry unless steps described in the arrangements above are complied with</u>

The Licensee shall not authorise any person to exercise any powers of entry conferred by Schedule 5 to the Order unless the steps provided for in the arrangements described in Condition 1.7.1(a), (b) and (c) have been complied with and it appears to the Licensee that he is such a fit and proper person.

1.7.3 Licensee to take reasonable steps to keep relevant persons informed

Except in so far as the Authority otherwise consents, if in respect of any premises any person so authorised is an officer or employee of an agent of the Licensee, the Licensee shall take reasonable steps to inform and keep informed all persons to whom the information is relevant, including domestic consumers and any other Licence holders, naming the agent in question and shall give that information in a verifiable and authoritative manner.

Condition 1.8: Exercise of Powers of Entry

1.8.1 Licensee to avoid undue disturbance

In exercising the powers of entry conferred on it by Schedule 5 to the Order, the Licensee shall avoid undue disturbance to owners or occupiers of premises as a result of visits being made to their premises by persons authorised by the Licensee.

1.8.2 Construction of Condition 1.8.1

In this Condition any reference to the conferring on the Licensee of powers of entry under Schedule 5 to the Order or to the exercise of such powers shall be construed as a reference to the conferring on a person authorised by the Licensee of such powers and the exercise by such an authorised person of those powers.

Condition 1.9: Modifications

1.9.1 Modification of Licence Conditions

The Conditions of this licence are subject to modification in accordance with their terms or with Articles 14, 17, 17A or 18 of the Order or with any provision for the modification of the same in the Energy Order.

1.9.2 Introduction of postalisation

The Authority may in addition if so required by the Department, after consultation with the Licensee, by notice to the Licensee modify the Conditions of the Licence (but not, for the avoidance of doubt, the Schedules) for the purpose of making any changes necessary or expedient for the purpose of postalisation which satisfy the requirements of Condition 1.9.3.

1.9.3 Scope of postalisation modifications

A modification made under Condition 1.9.2 shall not have the effect of:

(a) amending the principles set out in Condition 2.2.1.2 or any Formula determined in accordance with Condition 2.2.1.3.; or

(b) amending the scope of the Licensed Area set out in Condition 2.1; or

(c) affecting for better or worse the economic return or the time over which such return is achieved by the Licensee in respect of its operations under the Licence except where the Licensee agrees to such change.

Condition 1.10: Assignment of Licences

1.10.1 Licensee's ability to assign its Licence

For the purposes of Article 12 of the Order, the Licensee with the prior consent of the Authority may assign the Licence either generally, or so far as relating to the whole or any part of the Licensed Area.

1.10.2 Matters affecting an assignment

In deciding whether to give its consent under Condition 1.10.1 the Authority shall apply those criteria contained in Article 12(3) of the Order, and any consent shall be subject to compliance with the matters determined by the Authority under Article 12(4) of the Order.

1.10.3 Licensee may not otherwise assign its Licence

Save as the Licensee is authorised to assign the Licence under this Condition 1.10, the Licensee may not otherwise assign the Licence without the consent of the Authority.

Condition 1.11: Transfer of Business

1.11.1 Restrictions on transfer of business in conveying gas

Subject to Condition 1.11.2, the Licensee shall not transfer to another person (the "transferee") all or part of any of its business comprising the conveyance of gas carried out under the Licence.

1.11.2 Exception to Conditions 1.11.1

Nothing in Condition 1.11.1 shall prevent the Licensee from transferring all or the relevant part of its business to the assignee where the Authority has consented to the assignment of all or the relevant part of the Licence under Article 12 of the Order or the Licensee has assigned all or the relevant part of the Licence in accordance with Condition 1.10.

1.11.3 Bringing forward of proposals for assignment of the Licence

The Licensee shall use all reasonable endeavours to bring forward a proposal within 24 months of the date of Grant which is satisfactory to the Authority and the Department for the formation of a special purpose vehicle to carry on the Licensed Business and to which the Licensed Business may be transferred subject to the consent of the Authority to the assignment of the Licence under Article 12 of the Order.

1.11.4 Meaning of special purpose vehicle

For the purpose of Condition 1.11 only a “special purpose vehicle” means a company whose sole activity is the carrying on of the Licensed Business.

<u>Condition 1.12: Disposal of Relevant Assets</u>

1.12.1 <u>Licensee not to dispose of or relinquish operational control of relevant assets</u>

Except:

(a) in relation to an assignment permitted under Condition 1.10 and the disposal or relinquishing of operational control of any relevant asset necessary for the assignment to have effect; or

(b) in relation to a transfer of business permitted under Condition 1.11 and the disposal or relinquishing of operational control of any relevant asset necessary for the transfer to have effect; or

(c) in so far as the Authority consents to the Licensee so doing; or

(d) where the Licensee has relevant assets which do not form an integral part of the Network, or are not otherwise required for continuous system control and data acquisition or the safe and continuous operation of the Network, which may be the subject of arms length asset and financing leasing arrangements;

the Licensee shall not dispose of or relinquish operational control over any relevant asset if the disposal or relinquishing of control would materially affect its ability to discharge its obligations under the Order or the Energy Order or the carrying on of activities authorised or required by the Licence and any question arising under this Condition 1.12.1 as to whether such disposal or relinquishing of control is such as aforesaid shall be determined by the Authority.

1.12.2 <u>Notice to be given to Authority</u>

Save as provided in Condition 1.12.3 or in so far as the Authority otherwise consents, the Licensee shall give to the Authority not less than two months prior written notice of its intention to dispose of or relinquish operational control over any relevant asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset.

1.12.3 Notice not required for minor disposals

The Licensee shall not be required to give the Authority any notice of its intention to dispose of or relinquish operational control of any relevant asset having a value of less than £25,000 in [December 2001] prices (such sum to be adjusted annually by reference to the retail price index), provided that:

(a) the disposal of or relinquishing of operational control of such relevant asset would not materially affect the Licensee's ability to discharge its obligations under the Order or the Energy Order or the carrying on of activities required by the Licence; and

(b) the disposal or relinquishing of any such relevant assets does not exceed an aggregate value of £25,000 in [December 2001] prices (such sum to be adjusted annually by reference to the retail price index), in any period of twelve months.

1.12.4 Disposal allowed with consent of the Authority

The Licensee may dispose of or relinquish operational control over any relevant asset where:

(a) the Authority confirms in writing that it consents to such disposal or relinquishment before such disposal or relinquishment occurs (which consent may be made subject to the acceptance by the Licensee or any third party in favour of whom the relevant asset is proposed to be disposed or operational control is proposed to be relinquished of such conditions as the Authority may specify); or

(b) the Authority does not inform the Licensee in writing of any objection to such disposal or relinquishment of control within the notice period referred to in Condition 1.12.2.

1.12.5 Consultation with other Licence holders

Any consent of the Authority pursuant to Condition 1.12.4 shall be given after the Authority shall have consulted and taken into consideration any representations made in a timely manner by any other Licence holder liable to be materially affected by the disposal in question.

1.12.6 Additional requirements in respect of disposals

In addition to the requirements of Conditions 1.12.1 to Condition 1.12.5, the Licensee shall not without the prior written consent of the Authority (following the disclosure by the Licensee of all material facts) in respect of the Licensed Business:

(a) create or continue to permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into any guarantee or any obligation otherwise than:

(i) on an arm's length basis;

(ii) on normal commercial terms;

(b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any affiliate or related undertaking of the Licensee otherwise than by way of:

(i) a dividend or other distribution out of distributable reserves;

(ii) repayment of capital;

(iii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;

(iv) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and made in compliance with the payment condition;

(v) repayment of or payment of interest on a loan not prohibited by sub-paragraph (a);

(vi) payments for group corporation tax relief calculated on a basis not exceeding the value of the benefit received; or

(vii) an acquisition of shares or other investments made on an arm's length basis and on normal commercial terms;

(c) enter into an agreement or incur a commitment incorporating a cross-default obligation which has or could reasonably be expected to have a material effect on the Licensee's ability to carry on the Licensed Business; or

(d) continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation subsisting at the date this Condition 1.12.6 takes effect which has or could be reasonably expected to have a material effect on the Licensee's ability to carry on the Licensed Business, save that the Licensee may permit any cross-default obligation in existence at that date to remain in effect for a period not exceeding twelve months from that date, provided that the cross-default obligation is solely referable to an instrument relating to the provision of a loan or other financial facilities granted prior to that date and the terms on which those facilities have been made available as subsisting on that date are not varied or otherwise made more onerous.

(e) the provisions of sub-paragraph (c) and (d) of this paragraph shall not prevent the Licensee from giving any guarantee permitted by and compliant with the requirements of sub-paragraph (a).

(f) The payment condition referred to in sub-paragraph (b)(iv) is that the consideration due in respect of the transaction in question is paid in full when the transaction is entered into unless either:-

(i) the counter-party to the transaction has and maintains until payment is made in full an investment grade issuer credit rating; or

(ii) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an investment grade issuer credit rating.

1.12.7 Additional Definitions

In this Condition, the following terms shall have the meanings given to them below:

"cross-default obligation"	means a term of any agreement or arrangement whereby the Licensee's liability to pay or repay any debt or other sum arises or is increased or accelerated or could reasonably be expected to be capable of arising, increasing or of acceleration by reason of a default (howsoever such default may be described or defined) by any person other than the Licensee, unless:

(i) that liability can arise only as a result of a default by a subsidiary of the Licensee; and

(ii) the Licensee holds a majority of the voting rights in that subsidiary and has the right to appoint or remove a majority of its board of directors.

"disposal"	includes any sale, assignment, gift, exchange, lease, licence, the grant of any right of possession, loan, security , mortgage, charge or the grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition to a third party and "dispose" shall be construed accordingly.
"indebtedness"	means all liabilities now or hereafter due, owing or incurred, whether actual or contingent, whether solely or jointly with any other person and whether as principal or surety, together with any interest accruing thereon and all costs, charges, penalties and expenses incurred in connection therewith.
"relevant asset"	means any part of the Network operated from time to time by the Licensee or any gas plant used by the Licensee for purposes connected with the conveyance of gas, and any estate or interest in land required for the utilisation of the Network, gas storage facility or gas plant and shall include intangible assets including patents, copyright, design rights and other similar rights relating to or arising from construction or exploitation of the Network by the Licensee.

<u>Condition 1.13: Payment of Fees to the Authority</u>

1.13.1 In respect of each year, beginning on 1 April, during which the Licence is in force, the Licensee shall pay to the Authority a fee of the amount determined in accordance with this Condition (the **licence fee**).

1.13.2 The Licensee shall pay to the Authority the licence fee for each year (the **relevant year**) within 30 days of the Authority giving notice to the Licensee of the amount due from the Licensee for the relevant year.

1.13.3 For each relevant year, the licence fee shall be the total of:

(a) an amount that is the Relevant Contribution to the Estimated Costs of the Authority for the relevant year;

(b) an amount that is the Relevant Contribution to the Estimated Costs of the Consumer Council for Northern Ireland with regard to the exercise of its functions relating to gas consumers for the relevant year;

(c) an amount which is the difference (which may be a positive or negative amount), if any, between:

(i) the licence fee that would have been due from the Licensee for the year immediately preceding the relevant year (the **previous year**) had such fee been calculated in relation to the actual costs of:

(A) the Authority for the previous year; and

(B) the Consumer Council for Northern Ireland with regard to the exercise of its functions relating to gas consumers for the previous year; and

(ii) the licence fee paid by the Licensee for the previous year,

provided that where the Licence is in force for only a part of the relevant year, the amount payable in respect of that year shall be a proportionate part of the licence fee due for the full year.

1.13.4 Where:

(a) the Estimated Costs of the Authority or of the Consumer Council for Northern Ireland are revised during the course of the relevant year (**Revised Costs**);

(b) the Licensee has paid the licence fee for the relevant year; and

(c) the Revised Costs would, had they applied to the calculation of the licence fee paid by the Licensee, have resulted in the calculation of a lower licence fee than that paid by the Licensee,

the Authority may, where it is reasonable for it to do so taking into consideration the timing of the Revised Costs and the provisions of paragraph 1.13.3(c), refund to the Licensee the difference between the amount of the licence fee paid by the Licensee and the amount of the lower licence fee referred to in paragraph 1.13.4(c) above.

1.13.5 Where the Licensee fails to pay the amount of the licence fee as notified to it under paragraph 1.13.2 above within the 30 day period specified, it shall with effect from the end of that 30 day period pay simple interest on the amount at the rate which is from time to time equivalent to the base lending rate of an institution designated by the Authority for this purpose.

1.13.6 In this Condition:

"Estimated Costs"	(i) in relation to the costs of the Authority, means the costs estimated by the Authority as likely to be its costs for the relevant year as calculated in accordance with the Principles; and (ii) in relation to the costs of the Consumer Council for Northern Ireland, means either: (A) the costs notified to the Authority by the Consumer Council for Northern Ireland as its estimated costs for the relevant year as approved by the Department; or (B) in the event that the Authority does not receive such notification by 31 July in the relevant year, the costs estimated by the

Authority (having regard to any estimate of such costs in any forward work programme published by the Consumer Council for Northern Ireland in respect of the relevant year) as likely to be the costs of the Consumer Council for Northern Ireland for the relevant year.

"Principles"	means the principles determined by the Authority for the purposes of this Condition generally, following consultation with the Licensee and with others likely to be affected by the application of such principles and as notified to the Licensee in writing.
"Relevant Contribution"	means, in respect of the Estimated Costs, the level of contribution to those costs applicable, whether by way of a specified amount or a stated proportion, to the Licensee as determined under or in accordance with the Principles.

Condition 1.14: Notices

1.14.1 Notices

All notices to be given under any Condition shall be in Writing 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:	GNI (UK) Ltd. Gasworks Road Cork Republic of Ireland
Authority:	Northern Ireland Authority for Utility Regulation, Queens House, 14 Queen Street, Belfast, BT1 6ED
Department:	Department for the Economy Energy Group, Adelaide House, 39/49 Adelaide Street, Belfast, BT2 8FD

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:

(a) at the actual time of delivery, if delivered personally;

(b) three (3) working days subsequent to the date of posting, if sent by registered mail; and

(c) at the time of receipt, if sent by Electronic Communication.

<u>Condition 1.15: Development Duties</u>

1.15.1 <u>Duty to co-operate with District Councils for Northern Ireland and others</u>

The Licensee shall co-operate with District Councils for Northern Ireland, actual or potential operators of gas distribution pipe-lines and spurs and actual or potential gas suppliers with a view to developing gas supply from the Licensee's transmission pipe-lines. Such co-operation shall include providing District Councils for Northern Ireland, actual or potential operators of gas distribution pipe-line and actual or potential gas suppliers with such information as is at the Licensee's disposal, (other than confidential information the provision of which would or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee) which would facilitate the development of infrastructure necessary for gas supply along the route of the Licensee's transmission pipe-lines.

1.15.2 <u>Duty to facilitate construction of spurs</u>

The Licensee shall ensure that its transmission pipe-lines are constructed in a manner which facilitates the construction and connection of spurs.

1.15.3 <u>Duty to provide proposals for construction of spurs</u>

(a) The Licensee shall, within 60 days (or such other time as may be agreed between the Licensee and Authority) of receipt of a request in writing from the Authority, or receipt of any other request in writing submitted with the approval of the Authority, or may at any time on its own initiative, provide proposals for the construction of a spur to any town, customer or group of customers.

(b) Unless otherwise agreed or specified by the Authority a proposal provided under 1.15.3(a) shall contain the following information:

(i) an estimate of the capital cost of the spur;

(ii) the proposed route of the spur and termination point which, unless the Authority otherwise directs shall be not more than 5km from a point in the town as designated by the Authority, or of the area comprising the premises occupied by the customer or customers, which are the subject of the proposal;

(iii) the proposed length, diameter and capacity of the spur; and

(iv) the proposed timescale for construction and anticipated completion.

(c) Any proposal submitted by the Licensee shall reflect the cost and timing of the construction of a spur in an economic and efficient manner and in accordance with established gas pipe-line engineering and cost control principles.

1.15.4 Right to require re-submission of a proposal

If the Authority by notice to the Licensee rejects a proposal on the grounds that it does not satisfy any of the requirements of Condition 1.15.3(c) or does not contain any of the information required under Condition 1.15.3(b) the Licensee shall, within such period as the Authority may specify in the notice, submit a revised proposal which satisfies in all respects the requirements of Condition 1.15.3.

1.15.5 Right to require construction of spur

(a) Subject to paragraph (b), at the direction of the Authority or where a third party to whom a proposal has been provided so requests with the approval of the Authority, the Licensee shall proceed to construct a spur in accordance with a proposal submitted under Condition 1.15.3(a) or a revised proposal submitted under Condition 1.15.4 in each case, in accordance with the timetable for construction and completion set out in the proposal;

(b) The Licensee shall not be required to construct a spur if the cost of construction either separately or in association with the cost of other spurs would prejudice its ability to finance the Licensed Business or would have a material adverse effect on the Licensed Business or would in the Authority's opinion cause the postalised transmission tariff to rise to an extent which would have a material adverse effect on existing gas consumers.

Condition 1.16: Not Used

Condition 1.17: Not Used

Condition 1.18: Not Used

Condition 1.19: Not Used

Condition 1.20: Not Used

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 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 Control Conditions" means Condition 2.2 of the Licence

PART 2

CONDITIONS APPLICABLE TO THE CONVEYANCE OF GAS BY THE LICENCE HOLDER

Condition 2.1:Territorial Scope and the Securing of conveyance of gas within the Licensed Area

2.1.1 Territorial Scope

The Licensee is authorised to convey gas from one place to another in the Licensed Area.

2.1.2 Securing of Conveyance of Gas within the Licensed Area

The Licensee shall use all reasonable endeavours to procure that the North West pipe-line is operational as early as possible in the year 2004 and, subject to the Authority having served notice that postalisation has been achieved within the meaning of Schedule 1, Paragraph 1.2, that the South North pipe-line is operational as early as possible in the year 2006.

Condition 2.1A: Supplier of Last Resort

2.1A.1 Following the issue of a Last Resort Supply Direction, the Licensee shall (and shall procure that its Agents or Sub-contractors shall) use all reasonable endeavours to comply with any relevant arrangements that have been prepared and maintained by Gas Industry Representatives and approved by the Authority (that are in place from time to time) and that outline the processes that should be followed both in the initiation of, during and after the circumstances following the issue of a Last Resort Supply Direction.

2.1A.2 In this Condition:

Agent or Sub-contractor	means any person directly or indirectly authorised to represent the Licensee.
Gas Industry Representatives	means representatives from gas suppliers, distribution system operators, transmission system operators and also the Consumer Council for Northern Ireland.
Last Resort Supply Direction	means a direction given by the Authority to the Licensee that specifies or describes the premises to be supplied with gas in accordance with Article 24A of the Order.

Condition 2.2 Conveyance Charges, Other Terms for the Conveyance of Gas and the Provision of Conveyance Services

2.2.1 Charges to be subject to Revenue Determination Formula

2.2.1.1 Application of the Revenue Determination Formula during Revenue Recovery Period

(a) In respect of any period when a Designation Order is not in place in respect of the Network, the Licensee shall use its reasonable endeavours to ensure that in each Gas Year during such period its Total Conveyance Revenue shall not exceed the Total Allowed Conveyance Revenue for that Gas Year.

(b) In respect of the first Gas Year commencing on or after the Designation Date and each Gas Year or part of a Gas Year thereafter for so long as a Designation Order is and remains in force in respect of the Network, the Licensee shall ensure that its Forecast Required Revenue to be notified to the Authority and the PSA in accordance with paragraphs (c) and (e) shall be calculated in accordance with the Formula.

(c) No later than the fifteenth Business Day in March in any Gas Year commencing on or after the Designation Date the Licensee shall provide to the Authority its calculation of Forecast Required Revenue for the next Gas Year.

(d) The Licensee shall provide to the Authority such explanations and information relating to the Licensee's calculation of Forecast Required Revenue as may be required by the Authority.

(e) No later than the fifteenth Business Day in April in any such Gas Year referred to in sub-paragraph (c) the Licensee shall provide to the PSA the Licensee's calculation of Forecast Required Revenue in respect of the next Gas Year.

(f) For all purposes the figures for the Licensee's Forecast Required Revenue and Actual Required Revenue in respect of any Gas Year shall be the same, and shall be equal to the figure for the Total Allowed Conveyance Revenue for that Gas Year.

(g) Postalisation Adjustment

The Postalisation Adjustment for the purposes of the determination of Total Allowed Conveyance Revenue in Gas Year t will be an allowance (which could be positive or negative) comprised of the sum of the amounts set out in (i), (ii) and (iii) below:

(i) costs and expenses, losses and/or liabilities to be incurred, or incurred by the Licensee 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 for Gas Year t-2 calculated according to the following formula:

$$UNRPT_{t-2} \quad X \quad (1+RE)^{1.5} \quad X \quad \frac{CPI_{t}}{CPI_{t-2}} \quad X \quad \frac{ARR_{L\ t-2}}{PS\ ARR_{t-2}}$$

where:

$UNRPT_{t-2}$ = un-recovered Postalisation Payments as calculated by the PSA in respect of Gas Year t-2 ;

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 Consumer Prices Index;

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 each Licensees Respective Licence) of all Designated Pipeline 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 CPI factor, calculated as:

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

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 available the latest CPI figure published in Gas Year t-1

(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.

2.2.1.2 Termination Payments

If the Licensee receives any sums due under the Network Code upon the termination of a Gas Supplier's Accession Agreement in respect of future Gas Years following the Gas Year in which the date of termination occurs, the Authority shall amend the Forecast Required Revenue and Actual Required Revenue to take account of such payment, according to a methodology agreed with the Licensee.

2.2.2 Allowed Capital Expenditure

(a) The Licensee may at any time and shall no later than:-

(i) 18 months after the date of the Grant, in respect of the North West Pipeline; and

(ii) the date 24 months after the date specified in (i), in respect of the South North Pipeline; and

(iii) the date 24 months after the date specified in Condition 2.2.2(a)(i), in respect of the Spurs and any associated Postalised Distribution Pipelines; or

(iv) such later date as the Authority agrees (taking account in particular of exceptional circumstances which could not reasonably have been foreseen by the Licensee)

submit a forecast of the amount and timing of Capital Expenditure in respect of the pipe-lines in question, separately identifying the amount of such expenditure that the licensee believes would be Uncontrollable Capital Expenditure (each an "Uncontrollable Capital Expenditure Estimate") and the amount that the Licensee believes would not (each a "Controllable Capital Expenditure Estimate").

The Licensee shall provide such further information or explanation and documents and records as the Authority reasonably requires for the purpose of verifying each Controllable Capital Expenditure Estimate and each Uncontrollable Capital Expenditure Estimate including, without limitation, all figures, costs, estimates and assumptions comprised in or underlying the same.

(b) The Authority may, following verification, by notice to the Licensee in respect of each such Controllable Capital Expenditure Estimate:

(i) approve the Controllable Capital Expenditure Estimate as the Verified Controllable Capital Forecast for the pipe-line in question; or

(ii) determine as the Verified Controllable Capital Forecast for the pipe-line in question such amended figure as it considers appropriate;

provided that before making any amendments to the Controllable Capital Expenditure Estimate the Authority shall provide details of the amendments and the reasons for them (such reasons to be based on established gas transmission pipeline engineering and cost control principles) and give the

Licensee an appropriate period (being not less than 28 days) to comment on them.

(c) The Licensee shall:

(i) not later than 3 months after the end of each 12 month period from the date of the Grant up to the relevant First Operational Commencement Date; and

(ii) not later than 3 months after the end of each Gas Year;

provide the Authority with

(aa) its current forecasts of the amount and timing of Capital Expenditure in respect of each of (to the extent applicable) the North West Pipeline, the South North Pipeline, each of the Spurs and any associated Postalised Distribution Pipelines, separately identifying the amount of expenditure that the Licensee believes would be Uncontrollable Capital Expenditure; and

(ab) details of the amount and timing of Capital Expenditure the Licensee has actually incurred in respect of each of (to the extent applicable) the North West Pipeline, the South North Pipeline, each of the Spurs and any associated Postalised Distribution Pipelines, separately identifying the amount of expenditure that the Licensee believes would be Uncontrollable Capital Expenditure.

(d) As soon as reasonably possible after completion of

(i) the North West Pipeline;

(ii) the South North Pipeline;

(iii) each of the Spurs and any associated Postalised Distribution Pipelines;

the Licensee shall submit details of the amount and timing of cumulative Capital Expenditure actually incurred in respect of each such pipe-line, separately identifying the amount of such expenditure which it has incurred which it believes to be Uncontrollable Capital Expenditure (the "Total Uncontrollable Capital

Expenditure”), and the amount that the Licensee believes would not (the “Total Controllable Capital Expenditure”); and

(a) such Total Controllable Capital Expenditure shall, subject to Condition 2.2.2 (e) and (f), be the Actual Controllable Capital Expenditure for the respective pipeline;

(b) such Total Uncontrollable Capital Expenditure shall, subject to Condition 2.2.2 (e) and (g), be the Actual Uncontrollable Capital Expenditure for the respective pipeline.

(e) The Licensee shall provide such further information or explanation and documents and records as the Authority reasonably requires for the purpose of auditing the Total Controllable Capital Expenditure and the Total Uncontrollable Capital Expenditure figures submitted by the Licensee in accordance with Condition 2.2.2 (d), and/or the forecasts and details provided by the Licensee in accordance with Condition 2.2.2 (c).

(f) The Authority may, following audit pursuant to Condition 2.2.2 (e), by notice to the Licensee in respect of the Total Controllable Capital Expenditure figures submitted by the Licensee in accordance with Condition 2.2.2 (d):

(i) approve the Licensee’s relevant Total Controllable Capital Expenditure figure as the Actual Controllable Capital Expenditure for the North West Pipeline, South North Pipeline, the Spurs and any associated Postalised Distribution Pipelines, as appropriate; or

(ii) determine as the Actual Controllable Capital Expenditure such amended figure as it considers appropriate for the North West Pipeline, South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, as appropriate if, in its reasonable opinion, the figure proposed by the Licensee does not accurately reflect the Controllable Capital Expenditure incurred by the Licensee in respect of the pipeline in question,

provided that before making any amendments to the Total Controllable Capital Expenditure figure submitted by the Licensee the Authority shall provide details of the amendments and the reasons for them (such reasons to be based on established gas transmission pipeline engineering and cost control principles) and give the Licensee an appropriate period (being not less than 28 days) to comment on them.

(g) The Authority may, following audit pursuant to Condition 2.2.2 (e), by notice to the Licensee in respect of Total Uncontrollable Capital Expenditure figures submitted by the Licensee in accordance with Condition 2.2.2 (d):

(i) approve the Licensee's relevant Total Uncontrollable Capital Expenditure figure as the Actual Uncontrollable Capital Expenditure for the North West Pipeline, South North Pipeline, the Spurs and any associated Postalised Distribution Pipelines, as appropriate; or

(ii) determine as the Actual Uncontrollable Capital Expenditure such amended figure as it considers appropriate for the North West Pipeline, South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, as appropriate if, in its reasonable opinion, the figure proposed by the Licensee does not accurately reflect Uncontrollable Capital Expenditure incurred by the Licensee in respect of the pipeline in question, including, without limitation, if, in its reasonable opinion, any part of the expenditure included by the Licensee within the Total Uncontrollable Capital Expenditure figure falls outside the categories of Uncontrollable Capital Expenditure asset out in Condition 2.2.3(a);

provided that before making any amendments to the Total Uncontrollable Capital Expenditure figure submitted by the Licensee the Authority shall provide details of the amendments and the reasons for them (such reasons to be based on established gas transmission pipeline engineering and cost control principles) and give the Licensee an appropriate period (being not less than 28 days) to comment on them.

2.2.3 Uncontrollable Capital Expenditure

a). The following categories of Capital Expenditure shall comprise an exhaustive list of all "Uncontrollable Capital Expenditure" for the purposes of this Condition 2.2 and Annex A:

(i). Archaeology;

(ii). Planning conditions;

(iii). Stock up gas;

(iv). such other categories of Capital Expenditure as the Authority may agree with the Licensee as Uncontrollable Capital Expenditure.

The Licensee shall at all times use all reasonable endeavours to minimise the amount of Uncontrollable Capital Expenditure without adversely impacting on the safety of the Economic Network.

2.2.4 Allowed Operating Expenditure

(a) Allowed Operating Expenditure for the purpose of this Condition and the determination of Total Allowed Conveyance Revenue in accordance with the Formula shall be the Operating Expenditure, both Controllable Operating Expenditure and Uncontrollable Operating Expenditure, which the Authority deems necessary or appropriate for:

(i) the North West Pipeline; and

(ii) the South North Pipeline; and

(iii) each of the Spurs;

in each case in accordance with established gas transmission pipeline engineering and cost control principles given forecast development and throughput, established in accordance with the remaining paragraphs of this Condition 2.2.4.

(b) The Licensee shall provide such information or explanation and documents and records as the Authority reasonably requires for the purpose of verifying the forecast annual Operating Expenditure figures provided by the Licensee in accordance with Condition 2.2.4 (c) and (f).

(c) The Licensee may at any time and shall no later than twelve (12) months before the First Operational Commencement Date or such other date as agreed by the Authority and Licensee submit to the Authority a forecast of annual Operating Expenditure, both Controllable Operating Expenditure and Uncontrollable Operating Expenditure for each Gas Year of the Revenue Recovery Period for:

(i) the North West Pipeline;

(ii) the South North Pipeline; and

(iii) each of the Spurs

(d) If the Authority following verification approves the forecast of annual Operating Expenditure submitted under paragraph (c) that forecast shall, subject to subsequent adjustment in accordance with paragraphs (g), (h), (i), (j) and (k) be the Allowed Operating Expenditure for the Gas Year in question.

(e) If the Authority following verification and consideration of such further information as may be submitted by the Licensee considers that the Licensee's forecast should be approved subject to modification, the amended sums notified to the Licensee by the Authority shall, subject to subsequent adjustment in accordance with paragraphs (g), (h), (i), (j) and (k) be the Allowed Operating Expenditure for the Gas Year in question provided that before making any modifications to the Licensee's forecast, the Authority shall provide details of the proposed modifications and the reasons for them and give the Licensee an appropriate period (being not less than 28 days) to comment on them.

(f) The Licensee shall, on the date 15 months prior to each Review Date or such other date as agreed between the Authority and the Licensee, submit to the Authority the Licensee's then current estimate of annual Operating Expenditure (separately identifying the Controllable Operating Expenditure and the Uncontrollable Operating Expenditure) for each of the five Gas Years in the period from the Review Date. The format of the submission will be set out in the Regulatory Instructions and Guidance ("**RIGs**") published by the Authority pursuant to Condition 1.21.

(g) If the Authority, following verification, approves the forecasts of annual Operating Expenditure submitted under Condition 2.2.4 (f), such forecast Operating Expenditure for each Gas Year set out in such forecast shall, subject to subsequent adjustment in accordance with Condition 2.2.4 (h), (i), (j) and (k) be the Allowed Operating Expenditure (separately identifying the Allowed Controllable Operating Expenditure and the Allowed Uncontrollable Operating Expenditure) for such Gas Year.

(h) If the Authority, following verification and consideration of such further information as may be submitted by the Licensee, determines that the Licensee's forecast submitted under Condition 2.2.4 (f) should be approved subject to amendments, the forecast Operating Expenditure for each Gas Year set out in the Licensee's forecast as amended in the manner notified to the Licensee by the Authority shall, subject to subsequent adjustment in accordance with Condition 2.2.4 (i), (j) and (k) be the Allowed Operating Expenditure (separately identifying the Allowed Controllable Operating Expenditure and the Allowed Uncontrollable Operating Expenditure) for such Gas Year provided that before making any amendments to the Licensee's forecast, the Authority shall provide details of the proposed amendments and the reasons for them and give the Licensee an appropriate period (being not less than 28 days) to comment on them.

(i) A special operating expenditure forecast review may be requested at any time by either the Licensee or the Authority if the Actual Controllable Operating Expenditure in any Gas Year differs from the most recently agreed Allowed Controllable Operating Expenditure by more than 15% and the Authority may, following such a review, substitute an amended figure as the Allowed Operating Expenditure for the remaining Gas Years (including the Gas Year in which the review occurs) until the next Review Date subject always to subsequent amendment in accordance with Condition 2.2.4 (j), and (k) or this condition 2.2.4 (i). The Licensee shall provide to the Authority such information and explanations and such documents and records as the Authority reasonably requires for the purposes of any special Operating Expenditure forecast review.

The difference between the amended Allowed Operating Expenditure and the initial figure for the Gas Year in which this review takes place will be accounted for by an adjustment to the Allowed Operating Expenditure, applying to the Gas Year following the review and will include an interest element based on LIBOR plus 2%.

(j) The Licensee shall be permitted to seek the Authority's approval to recover Unforeseen Operating Expenditure. Where possible Unforeseen Operating Expenditure should be approved prior to being incurred, however it is recognised that in all circumstances prior approval may not be possible. Where the Authority, in its absolute discretion, approves the recovery of any Unforeseen Operating Expenditure, such adjustment as the Authority determines appropriate will be made to the figure for Allowed Operating Expenditure applying to the second Gas Year following the Gas Year in which the expenditure was incurred and will include an interest element based on LIBOR plus 2%.

(k) The Licensee shall submit, on an annual basis, no later than six months before the end of the Gas Year, details of the Actual Controllable Operating Expenditure and Actual Uncontrollable Operating Expenditure incurred in the preceding Gas Year. The format of the submission will be set out in the **RIGs** published by the Authority pursuant to condition 1.21.

In the case of Uncontrollable Operating Expenditure the Authority may determine that amended figures be substituted as the Actual Uncontrollable Operating Expenditure. The Licensee shall provide to the Authority such information and explanations and such documents and records as the Authority reasonably requires for the purposes of any such review.

The difference between the Actual Uncontrollable Operating Expenditure and the Allowed Uncontrollable Operating Expenditure will be accounted for by an adjustment to the Allowed Operating Expenditure, applying to the second Gas Year following the Gas Year in which the expenditure was incurred and will include an interest element based on LIBOR plus 2%.

(l) The Licensee shall, as soon as practicable and in any event not later than six (6) months after the end of each Financial Year, submit to the Authority a statement, certified by its auditors as being accurate, detailing the Actual Operating Expenditure (separately identifying the Actual Controllable Operating Expenditure and the Actual Uncontrollable Operating Expenditure) incurred by the Licensee during the preceding Financial Year in the administration, maintenance and operation of the North West Pipeline, the South North Pipeline, and the Spurs.

2.2.5 Review of the Capital Revenue Requirement - CRR

(a) The Authority shall:

(i). following a request from the Licensee to review the CRR Formula for the purposes referred to in Conditions 2.2.5 (b) and (d) provided that such request is submitted no later than twelve (12) months prior to the relevant Review Date; or

(ii). otherwise if the Authority considers it appropriate, conduct a review of the CRR Formula in accordance with this Condition 2.2.5 and each such review shall have effect from the next following Review Date.

(b) In any review under this Condition 2.2.5 the Authority shall be entitled to consider whether there have been any changes since 01 October 2004 to the actual values, including Actual Capital Expenditure, grants and capitalised interest, which are used to calculate the CRR Formula (the "CRR Actuals") or to one or more of the following (the "CRR Variables"):

(i) tax allowances, laws, statutory rules and regulations applicable to the Licensee's development, construction, operation and maintenance of the Economic Network;

(ii) the inflation rate indicated by the Consumer Prices Index;

(iii) tax rates;

(iv) such other variables as the Authority may determine from time to time after consultation with the Licensee.

(c) The Licensee shall provide such information and explanation, documents and records as the Authority reasonably requires for the purpose of conducting its review in accordance with Condition 2.2.5 (b).

(d) Subject to Condition 2.2.5 (e), if following a review as referred to in Condition 2.2.5 (b) the Authority reasonably deems it necessary or desirable, the Authority shall be entitled by notice in writing to the Licensee with effect from the relevant Review Date to:

(i) amend, add to and/or delete the CRR Formula, any CRR Actuals or any CRR Variables; and

(ii) recalculate the CRR Formula, taking into account any changes to the CRR Actuals and the CRR Variables, to produce an amended CRR^{fp}_{m} for all future months in the Revenue Recovery Period.

such that from the relevant Review Date, the CRR^{fp}_{m} will be calculated to ensure:

$$\sum_{m=z}^{n} \frac{CRR^{fp}_{m}}{\prod_{m=z}^{n} \left(1+rn_m\right)} + \sum_{m=1}^{z-1} \frac{CRR^{ap}_{m}}{\prod_{m=1}^{z-1} \left(1+rn_m\right)} = OAV^{p}{}_{m=1} + PVT^{p}{}_{m=1}$$

where

m=1	is the month when the First Operational Commencement Date, for pipeline p, occurs;
z	is the month of the Review Date;
n	is 300 at the 25th anniversary of the First Operational Commencement Date for pipeline p;
rn_m	is the nominal weighted average Rate of Return in month m calculated in accordance with paragraph 5 of Annex A;
$CRR^{fp}{}_m$	is the forecast monthly capital revenue requirement in month m with respect to pipeline p, calculated in accordance with paragraph 2 of Annex A;
$CRR^{ap}{}_m$	is the actual monthly capital revenue received in month m with respect to pipeline p, calculated in accordance with paragraph 2 of Annex A;
$OAV^{p}{}_m$	is the opening asset value in month m calculated in accordance with paragraph 2 of Annex A;
$PVT^{p}{}_{m=1}$	is the present value of estimated grossed up tax payments in month m=1 calculated in accordance with paragraph 2 of Annex A; and
p	is the North-West Pipeline or South-North Pipeline or any Spur along with any associated Postalised Distribution Pipelines as appropriate.

(e) Before serving a notice under Condition 2.2.5(d) the Authority shall provide details of the amendments and the reasons for them and give the Licensee an appropriate period (not being less than 28 days) to comment on them.

2.2.6 Forecast Volumes

Subject to Standard Condition 2A, the following shall apply. The Licensee shall submit a five-year forecast of annual volumes of gas to be conveyed on the Network at least 12 months before each Review Date.

2.2.7 Requirements relating to Estimates

The Licensee shall in submitting any forecasts or estimates required to be submitted under Condition 2.2 use all reasonable endeavours to ensure that it provides the best forecasts or estimates based on the most comprehensive, current information obtainable at the time of submission.

2.2.8 Allowed revenue after expiry of Revenue Recovery Period

(a) Not less than twelve (12) months prior to the expiry of the Revenue Recovery Period the Licensee shall submit to the Authority:

(i) a proposal as to the formula to be used for calculation of conveyance charges following the end of the Revenue Recovery Period; and

(ii) a forecast of the amount of such charges for the five years following expiry of the Revenue Recovery Period;

which comply with the basis of calculation set out in Condition 2.2.8 (d) below.

(b) The Licensee shall provide such further information or explanation and documents and records as the Authority reasonably requires for the purpose of verifying that the formula and forecasts submitted to it by the Licensee in accordance with Condition 2.2.8 (a) comply with the principles set out in Condition 2.2.8 (d).

(c) The Authority may, following review of the submissions provided in accordance with Condition 2.2.8 (a) above, by notice to the Licensee:

(i) approve the formula and forecasts; or

(ii) make such amendments to the formula and forecasts as it deems necessary or appropriate to ensure compliance with the basis of calculation set out in Condition 2.2.8 (d) below provided that before making any modifications to the Licensee's formula and forecast, the Authority shall provide details of the proposed modifications and the reasons for them and give the Licensee an appropriate period (being not less than 28 days) to comment on them.

(d) The Licensee shall in setting its charges for the conveyance of gas in the Network for each Gas Year commencing after the expiry of the Revenue Recovery Period do so in accordance with such arrangements as shall have been approved by the Authority having regard to the principle that the Licensee shall be entitled to receive by way of conveyance charges:

(i) the costs incurred by the Licensee deemed necessary or appropriate by the Authority in administering, maintaining and operating the Economic Network for each conveyance service; and

(ii) the costs incurred by the Licensee deemed necessary or appropriate by the Authority from time to time to expand, reinforce and renew the Network together with an appropriate return on those costs as agreed between the Authority and the Licensee;

(iii) minus any Supplemental Income.

2.2.9 Determination of conveyance charges by the Licensee

Subject to Standard Condition 2A, the following shall apply. The Licensee shall establish the methods and principles upon which conveyance charges shall be determined for gas suppliers wishing and entitled to use the Network and, provided the Authority's approval has been obtained in accordance with Condition 2.2.10, the Licensee shall publish the same in accordance with Condition 2.2.11.

The determination of charges will recognise any obligations the Licensee may enter into with end customers (e.g. volume to be supplied, capacity booked).

2.2.10 Authority's approval required for conveyance charges and other terms for the conveyance of gas

Subject to Standard Condition 2A, the following shall apply. The Authority's approval is required for conveyance charges and other terms for the conveyance of gas.

No later than 28 days before it intends to publish its statement under Condition 2.2.11 the Licensee shall notify the Authority of the contents of that statement, and seek the approval of the Authority on the conveyance charges and other terms for the conveyance of gas to be included in the statement. The Licensee shall:

(a) provide the Authority with such information as will enable the Authority to be reasonably satisfied that the methodology, principles and effect of the conveyance charges are consistent with the terms of Conditions; 2.2.2; 2.2.4 and 2.2.8;

(b) provide the Authority with an explanation of the other terms for conveyance set out in the statement.

The Authority may require such changes to the charges and other terms for conveyance as it thinks desirable or necessary before giving its approval. The Authority shall notify the Licensee of its approval of the conveyance charges and other terms in writing.

2.2.11 Publication of conveyance charges and other terms for the conveyance of gas

Subject to Standard Condition 2A, the following shall apply. Subject to Condition 2.2.12:

(a) the Licensee shall for any Gas Year publish a statement of:

(i) its conveyance charging methodology for the use of the Network by gas suppliers for the year, by which any such gas supplier may reasonably be able to calculate applicable conveyance charges; and

(ii) its other terms for the use by them of the Network (and in relation to the Network Code by reference to the Network Code);

in such manner as will secure adequate publicity for it; and

(b) the Licensee shall send a copy of any such statement to any person who asks for one;

and subject to Condition 2.2.12 (b) such statement shall clearly distinguish cases and classes of cases of gas supplier for whom the conveyance charging methodology may result in differing conveyance charges.

2.2.12 Charging for the conveyance of gas and prohibition on undue discrimination

Subject to Standard Condition 2A, the following shall apply. The Licensee shall:

(a) unless the Authority otherwise consents, not charge for the conveyance of gas in the Network during any year or apply other terms for the conveyance of gas on any basis other than contained in its statement of conveyance charges published under Condition 2.2.11 in respect of that year;

(b) not show any undue preference towards or undue discrimination against any gas supplier or case or classes of cases of gas supplier in the conveyance charges made or other terms for the conveyance of gas applied in relation to the Network; and

(c) within 28 days of receiving a request for the quotation of conveyance charges for specified conveyance services by a gas supplier, provide the gas supplier with a specific statement of the conveyance charges and other terms for the conveyance of gas applicable to the conveyance services for which the gas supplier requested a quotation;

and for the purposes of Condition 2.2.12 (c) and the Licensee's obligation to provide a specific statement of conveyance charges, a request for the quotation of conveyance charges for specified conveyance services shall be treated as such if it is in such form as the Licensee can reasonably be expected to provide a specific statement of conveyance charges in return.

2.2.12.1 <u>Charging for the conveyance of gas and prohibition on undue discrimination on designation</u>

If Standard Condition 2A applies, the Licensee shall:

(a) unless the Authority otherwise consents, not charge for the conveyance of gas in the Network during any year or apply other terms for the conveyance of gas on any basis other than in accordance with Standard Condition 2A.2.2 and the Network Code;

(b) not show any undue preference towards or undue discrimination against any gas supplier or case or classes of cases of gas supplier in the application of charges or other terms for the conveyance of gas; and

(c) within 28 day of receiving a request for the quotation of conveyance charges for specified conveyance services by a gas supplier, provide the gas supplier with a specific statement of the conveyance charges and other terms for the conveyance of gas applicable to the conveyance services for which the gas supplier requested a quotation;

and for the purposes of Condition 2.2.12.1 (c) and the Licensee’s obligation to provide a specific statement of conveyance charges, a request for the quotation of conveyance charges for specified conveyance services shall be treated as such it is in such form as the Licensee can reasonably be expected to provide a specific statement of conveyances charges in return.

2.2.13 <u>Licensee's obligation to provide services for the conveyance of gas in accordance with the Network Code</u>

The Licensee shall provide gas suppliers with conveyance services in accordance with the Network Code.

2.2.14 Determination by Authority of the right of gas suppliers to have gas conveyed in the Network

Provided that the Authority shall have first given the Licensee not less than two months in which to make representations with respect to any of the following matters, at any time thereafter the Licensee shall provide a gas supplier with conveyancing services:

(a) if the Authority so determines in accordance with the conveyance charges and other terms for the conveyance of gas (including the Network Code), and where applicable the Licensee's connection charges, where the gas supplier is willing to accept the same and the Licensee has refused to provide such conveyancing services; and

(b) notwithstanding the provisions of Condition 2.2 or, where applicable, Standard Condition 2A, in accordance with the conveyance charges, and at any other time, in accordance with a price determined by the Authority allowing the Licensee to obtain appropriate recompense in accordance with any then applicable charging regime of the Licensee approved by the Authority and then in force and, in either case and where applicable, the Licensee's connection charges, and on such other terms as the Authority reasonably considers appropriate in all the circumstances, including terms as to the Network Code, or as may establish a Network Code, or modify or amend a Network Code, where the Licensee's conveyance charges and other terms for the conveyance of gas and/or the Network Code:

(i) are insufficient to the reasonable satisfaction of the Authority for the conveyance services sought by the gas supplier;

(ii) the Licensee and gas supplier have been unable to reach agreement on appropriate terms; and

(iii) the gas supplier is willing to accept the Authority's determination;

provided that for the purposes of this Condition 2.2.14 the Authority is satisfied that any determination would not prejudice the efficient and safe operation of the Network or the conveyance by the Network of:

(c) the quantities of gas which the Licensee requires or may reasonably be expected to require to be conveyed by the Network to enable the Licensee to comply with the conditions of the Licence; and

(d) the quantities of gas of any person who has a right to have gas conveyed by the Network is entitled to require to be so conveyed in exercise of that right.

2.2.15 Additional duty to provide information

Subject to Standard Condition 2A, the following shall apply. The Licensee shall advise the Authority by a report provided to the Authority of:

(a) the number of separate arrangements with gas suppliers for gas conveyancing services provided; and

(b) the volumes of gas taken from the Network by gas suppliers;

on an annual basis or as frequently as the Authority may reasonably require from time to time.

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 as per the terms of the Licensee's CRU 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;

2.2.17 Maintenance of the Economic Network

The Licensee shall maintain in good order the Economic Network throughout the Revenue Recovery Period.

The Licensee will continue to maintain the Economic Network post the Revenue Recovery Period throughout its operational life, being not less than 60 Gas Years from the respective First Operational Commencement Date subject to Conditions 2.2.8(d) (i) and (ii).

2.2.18 (UK) Transportation Agreement (Moffat to Twynholm)

The Licensee shall be entitled to recover any losses incurred, or payments due, under the BGE (UK) – PTL Transportation Agreement dated 21st August 1996, less any amounts that have been paid to the Licensee from the escrow account set up pursuant to clause 9 of the "Transportation Agreement Direct Agreement" between BGE (UK), PTL and the Prudential Security Company Ltd dated 18 March 2005;

(i) in respect of any period when a Designation Order is in place in respect of the Network, as part of the Licensee's Actual Required Revenue; or

(ii) in respect of any period when a Designation Order is not in place, through charges imposed by it for the conveyance of gas on the pipeline networks in Northern Ireland and, developed by the DPOs and approved by the Authority for the conveyance of gas on their respective networks.

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;
"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);

"CRU" or "Commission"	means the Commission for Energy Regulation established pursuant to Section 8 of the Electricity Regulation Act, 1999, now known as the Commission for Regulation of Utilities;
"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"	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: (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"	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;
"Forecast Required Revenue"	means the amount set out in accordance with 2.2.1.1 (f);
"Formula"	means the formula for the determination of the Actual Allowed Revenue set out in paragraph 1 of Annex A;
"Formula Amendment"	has the meaning given to that term in Condition 2.2..22 (d);

“Gas Year”	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;
“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 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"	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: "**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; "**Load Centre**" means, in respect of a Supply Location, the location determined as such by the Authority; "**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 "**Towns Licence**" means the conveyance licence granted to Bord Gais Eireann on 24 March 2005;
"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 1st 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);

2.2.20 Allowed Capital Expenditure, Allowed Operating Expenditure, Supplemental Income and associated expressions may, where appropriate, include actual or forecast expenditure or revenue incurred or earned outside Northern Ireland.

2.2.21 **Allocation of OS Revenues**

2.2.21.1 The Licensee may, in respect of each Gas Year, retain the Licensee's OS Revenues Share as calculated in accordance with the relevant provisions of the OS Scheme.

2.2.21.2 In respect of each Gas Year for which the Licensee has an obligation pursuant to the OS Scheme to make a payment during the Gas Year, the Licensee shall make such payment at the time prescribed and otherwise in accordance with the OS Scheme.

2.2.22 <u>Disapplication</u>

(a) This Condition 2.2.22 applies in the event that the Authority:

(i) amends, pursuant to Condition 2.2.4(g) or 2.2.4(h), the Allowed Operating Expenditure for any Gas Year t;

(ii) determines, pursuant to paragraph 5(a) of Annex A, nominal post tax rate of return of equity, the level of financial gearing, and the cost of debt (which in each case is to apply at and with effect from the relevant Review Date for the purposes of the terms re_t, g_t, and d_t in that paragraph 5(a) of Annex A) or

(iii) serves a notice under Condition 2.2.5(d).

(b) For the purposes of this Condition 2.2.22:

(i) any amendment or determination referred to in Condition 2.2.22(a)(i) and 2.2.22(a)(ii), and any amendment, addition deletion and recalculation (as the case may be) set out in the notice referred to Condition 2.2.22(a)(iii), is a "Formula Amendment"; and

(ii) each Formula Amendment shall, for the purposes of this Condition 2.2.22 constitute and be treated as a separate Formula Amendment (including where it may be made at or around the same time , or within the same notice given to the Licensee, as any other Formula Amendment).

(c) Where the Authority makes a Formula Amendment:

(i) subject to the remaining provisions of this Condition 2.2.22, the Formula Amendment, and where a notice is served under Condition 2.2.5(d) the recalculation referred to in that notice (the "associated recalculation"), shall have effect for the relevant Gas Year t or on the relevant Review Date (as the case may be);

(ii) the Licensee may within 28 days of the date of the Authority's notification to it of the Formula Amendment serve a written notice on the Authority (a “Disapplication Notice”) which shall identify the part(s) of the Formula Amendment the Licensee wishes to be disapplied, in which case:

(A) those part(s) of the Formula Amendment identified in the Disapplication Notice shall not take effect; and

(B) where the part(s) of the Formula Amendment identified in the Disapplication Notice relate to a determination made under paragraph 5(a) of Annex A, the Rate of Return that applied on the date immediately prior to the relevant Review Date shall continue to apply on and from the relevant Review Date; and

(C) where the part(s) of the Formula Amendment identified in the Disapplication Notice relate to an amendment to the Allowed Operating Expenditure, the Allowed Operating Expenditure which shall apply for each relevant Gas Year t shall be;

$$AOE_t = \left(\sum_{t=-5}^{-1} AOE_t\right) \times 0.2$$

(iii) with regard to the Review Date, 1 October 2017, the may within 120 days serve Disapplication Notice:

(iv) the Disapplication Notice may be withdrawn by the Licensee at any time within six months of the date of the Disapplication Notice;

(v)if within six months after the date of the Disapplication Notice (provided such Disapplication Notice has not been withdrawn), the Authority publishes a decision under Article 14(8) of the Order to:

(A) where the Disapplication Notice relates to a Formula Amendment in respect of the CRR Formula, CRR Actuals and CRR Variables, modify this Condition 2.2 in respect of the CRR Formula, CRR Actuals and CRR Variables (or any aspect of part of them);

(B) where the Disapplication Notice relates to a Formula Amendment in respect of the Allowed Operating Expenditure, modify this Condition 2.2. in respect of the Allowed Operating Expenditure (or any aspect or part relating to it);

(C) where the Disapplication Notice relates to a Formula Amendment in respect of the calculation of the Rate of Return modify this Condition 2.2 or Annex A in respect of the calculation of the Rate of Return (or any aspect or part relating to it),

in each case "the Modification Decision", then Condition 2.2.22(d) shall apply.

(d) Where this Condition 2.2.22(d) applies and;

(i) the Licensee either:

(A) does not exercise its right to appeal to the CMA against the Modification Decision in accordance with Article 14B of the Order; or

(B) does exercise that right, but the CMA refuses permission for or otherwise does not allow the appeal;

then:

(C) the Formula Amendment, including where applicable any associated recalculation, shall apply in the period from the relevant Review Date to the date of modification pursuant to Article 14(9) of the Order; and

(D) such adjustment as the Authority may direct shall be made, including where applicable to $CRR^{fp}{}_{m}$, in respect of any future months in the Revenue Recovery Period to reflect the retrospective application of the Formula Amendment and, where applicable, any associated recalculation;

(ii) the Licensee exercises its right to appeal to the CMA against the Modification Decision in accordance with Article 14B of the Order, and:

(A) the CMA quashes the Modification Decision of the Authority under Article 14E(2)(a) of the Order; and

(B) the CMA neither remits the matter back to the Authority under Article 14E(2)(b) of the Order nor substitutes its own decision for that of the Authority under Article 14E(2)(c) of the Order,

then the Formula Amendment, and where applicable the associated recalculation, referred to in the Disapplication Notice shall not apply; or

(iii) the Licensee exercises its right to appeal to the CMA against the Modification Decision in accordance with Article 14B of the Order, and the CMA reaches a conclusion other than one of those described in Conditions 2.2.22(d)(i) and (ii), then the Formula Amendment, and where applicable the associated recalculation, shall have effect in accordance with that conclusion or any decisions of the CMA or the Authority made pursuant to it.

2.2.23 Resolution of Disputes

Where:

(a) there is a dispute, between the Licensee and any person entitled or claiming to be entitled to be provided with conveyance services by the Licensee pursuant to this Condition 2.2, in respect of the terms of the agreement offered by the Licensee to such person pursuant to this Condition 2.2, any party to the dispute may make an application to the Authority to determine the terms of the agreement in dispute.

(b) the Authority receives an application pursuant to sub-paragraph (a) and the dispute:

(i) has not previously been referred by either party to the Consumer Council for Northern Ireland for investigation; or

(ii) has previously been referred by one of the parties to the Consumer Council for Northern Ireland but the Consumer Council for Northern Ireland has advised the Authority that it has not concluded its investigation of the dispute.

the Authority may refer the dispute to the Consumer Council for Northern Ireland for the purposes of enabling the Consumer Council for Northern Ireland to assist the parties in the resolution of the dispute;

(c) the Authority refers the dispute to the Consumer Council for Northern Ireland it will at the same time inform the parties of that referral;

(d) the Consumer Council for Northern Ireland has not been able to assist the parties in the resolution of the dispute within 3 months of the Authority's referral under paragraph (b) (the 'applicable timescale'), either party to the matter may refer the matter back to the Authority for determination;

(e) a dispute referred to the Authority under paragraph (a):

(i) is not referred by the Authority to the Consumer Council for Northern Ireland under paragraph (c); or

(ii) is referred by the Authority to the Consumer Council for Northern Ireland under paragraph (c) but is referred back to the Authority under paragraph (d),

the Authority may, having given both parties not less than one month in which to make any further representations, settle the terms of the agreement dispute in such manner as appears to the Authority to be reasonable having (insofar as is relevant) regard in particular to the following considerations:

(iii) the efficient and safe operation of the Network by the Licensee;

(iv) the conveyance by the Network of:

(A) the quantities of gas which the Licensee requires or may reasonably be expected to require to be conveyed by the Network to enable the Licensee to comply with the conditions of the licence; and

(B) the quantities of gas of any person who has a right to have gas conveyed by the Network is entitled to require to be so conveyed in exercise of that right.

(f) the person entitled or claiming to be entitled to conveyance services from the Licensee wishes to proceed on the basis of the terms the agreement as settled by the Authority, the Licensee shall forthwith enter into and implement such agreement in accordance with its terms.

ANNEX A: ACTUAL REQUIRED REVENUE FORMULA

This Annex forms part of Condition 2.2.

1. Formula

The Total Allowed Conveyance Revenue for each Gas Year t shall be calculated in accordance with the following formula:

$$\mathbf{ARR_t = CRR^P_t + O_t - SI_t + PA_t}$$

where:

ARR_t is the Total Allowed Conveyance Revenue or Actual Required Revenue in Gas Year t;

CRR^P_t is the capital revenue requirement for the pipeline, p in Gas Year t, as calculated in paragraph 2 of this Annex;

O_t is the inflation adjusted allowed operating expenditure for Gas Year t, as calculated in paragraph 3 of this Annex;

SI_t is the supplemental income for Gas Year t, as calculated in paragraph 4 of this Annex; and

PA_t is the Postalisation Adjustment for Gas Year t, as determined in accordance with Condition 2.2.1.1(g);

p is the North-West Pipeline, the South-North Pipeline or any Spur (where "Spur" shall, in relation to Capital Expenditure only, include any associated Postalised Distribution Pipelines) as appropriate.

2. Calculation of CRR^P_t

CRR^p_t is the Capital Revenue Requirement for the pipeline, p in Gas Year t calculated as:

$$CRR^p{}_t = \sum_{m=q}^{s} CRR^p{}_m$$

Where

q is the 1st month in Gas Year t;

s is the 12th month in Gas Year t;

and

$$CRR^p{}_m = \frac{(OAV^p{}_m + PVT^p{}_m) \cdot rr_m}{1-(1+rr_m)^{-(N-m)}} \cdot (1+i_m) - k^p{}_m$$

where

$CRR^p{}_m$ is the pre-tax revenue required for pipeline p to recover invested capital at the allowed rate of return in month m calculated to be a constant real amount for *m = 1…300;*

rr_m is the regulatory allowed real weighted average rate of return calculated in accordance with paragraph 5 of this Annex;

$OAV^p{}_m$ is the opening asset value for pipeline p in month m calculated in accordance with paragraph 2(a) of this Annex;

$PVT^p{}_m$ is the present value of estimated grossed up tax payments net of post 2029 capital allowances for pipeline p in month *m* and shall be calculated in accordance with paragraph 2(d) of this Annex;

$k^p{}_m$ is an error correction mechanism to take account of variances in outturn and forecast variables including revenue, inflation, corporate tax rates and capital allowances for pipeline p in month m and shall be calculated in accordance with paragraph 7 of this Annex;

m = 1 is the month in which the First Operational Commencement Date for pipeline p occurs;

m = N = 300 is the 300th month after the month in which the First Operational Commencement Date for pipeline p occurs;

i_m is the inflation rate in month m and:

(i). with respect to forecast figures is the forecast long term CPI inflation rate and with respect to the period until the first Review Date, shall be 2%;

(ii). with respect to actual figures is the inflation rate indicated by the Consumer Prices Index(CPI) and is calculated as follows:

$$i_t = \frac{CPI^{oct}{}_{t+1}}{CPI^{oct}{}_t} - 1$$

$$i_m = (1 + i_t)^{1/12} - 1$$

where:

$CPI^{Oct}{}_t$ is the relevant CPI figure for October of Gas Year t;

i_t is the inflation rate in Gas Year t.

(a) <u>Opening Asset Value</u>

$$OAV^p{}_m = OAV^p{}_{m-1} - \left(\frac{(OAV^p{}_{m-1}) \cdot (rr_{m-1})}{1-(1+rr_{m-1})^{-(N-m)}} - (OAV^p{}_{m-1}) \cdot (rn_{m-1}) \right)$$

and for $m = 1;$

$$OAV^p{}_{m=1} = AC^p + C\mathrm{I}^p - G^p$$

where;

CI^P is an amount calculated as capitalised interest for the pipeline p in accordance with paragraph 2 (b) of this Annex;

rn_m is the regulatory allowed nominal weighted average rate of return in month m calculated in accordance with paragraph 5 of this Annex;

G^P is the present value at First Operational Commencement Date of grants received for pipeline p, calculated in accordance with paragraph 2 (c) of this Annex;

AC^P is an amount calculated as allowed capital expenditure for the pipeline p in accordance with the following formula:

$$AC^P = VFCE^P + PG^P + UC^P$$

(a) where:

$VFCE^P$ Verified Controllable Capital Forecast for the pipeline p;

PG^P is an amount calculated as the Pain/Gain Factor in respect of the pipeline p in accordance with paragraph 6 of this Annex;

UC^P is the Actual Uncontrollable Capital Expenditure in respect of the pipeline p in accordance with Condition 2.2.2.

(b) <u>Capitalised Interest</u>

CI^P is the present value at the start of *m* = *1* of capitalised interest for pipeline p calculated as;

$$CI^P = \sum_{m=i}^{-1}\left(CE_m^P \cdot \prod_{r=m}^{-1}(1+CIR_r) - CE_m^P\right) + \sum_{m=1}^{N}\left(CE_m^P \cdot \prod_{r=1}^{m}(1+rn_r)^{-1} - CE_m^P\right)$$

CE^P_m is the Actual Capital Expenditure for pipeline p in month m;

m=i is February 2002, the first month from which Capitalised Interest will be charged;

m=1 is the month in which the First Operational Commencement Date occurs;

N=300 is the 300th month after the First Operational Commencement Date;

rn_r is the regulatory allowed nominal monthly weighted average rate of return in month r;

CIR_r is the Capitalised Interest Rate for month r being a weighted average of the one month LIBOR + 0.5% and the one month EURIBOR +0.5%, weighted according to the percentage of CE financed in each currency, as at the first business day of each month.

(c) <u>Grants Received</u>

G^P is the present value at the start of m =1 of any financial contribution from any public or private resources, including grants received, in relation to the pipeline p calculated as follows;

$$G^P = \sum_{m=j}^{-1}\left(AMGR_m^p \prod_{r=m}^{-1}(1+CIR_r)\right) + AMGR_0^p + \sum_{m=1}^{N}\left(AMGR_m^p \prod_{r=1}^{m}(1+rn_r)^{-1}\right)$$

where:

m=j is the first month in which an amount of capital grant is received by the Licensee, where that month is before the month in which the First Operational Commencement Date occurs;

m=1 is the month in which the First Operational Commencement Date occurs;

$AMGR^P{}_m$ is the actual monthly grant receipt amount audited and approved by the Authority as being equal to the amount of capital grant actually received by the Licensee in each calendar month ending prior to and after the First Operational Commencement Date in respect of the design, development and construction of the pipeline, p;

N=300 is the 300th month after the First Operational Commencement Date;

CIR_r is the Capitalised Interest Rate for month r being a weighted average of the one month LIBOR + 0.5% and the one month EURIBOR +0.5%, weighted according to the percentage of CE financed in each currency, as at the first business day of each month; and

rn_r is the regulatory allowed nominal monthly weighted average rate of return in month r.

(d) <u>Tax Payable</u>

$PVT^p{}_m$ is the present value of estimated grossed up tax payments net of post 2029 capital allowances in month *m* for pipeline p and for *m = 1* shall be calculated in accordance with the following formula;

$$PVT_{m=1} = \sum_{m=1}^{N}\left(\frac{T_m}{\prod_{m=1}^{N}(1+rn_m)}\right) - \left(\sum_{m=N+1}^{\infty}\frac{C_m}{\prod_{m=1}^{\infty}(1+rn_m)}\right)\cdot\left(\frac{1}{\prod_{m=1}^{N}(1+rn_m)}\right)$$

$$T_m = \max\left(T_m + \min(T_m + \sum_{m=h}^{m-1} T_m, 0), 0\right)$$

where

$$T_m = \left(R_m - DI_{\mathrm{m}} - C_m\right)\cdot\frac{Tr_m}{1-Tr_m}$$

where:

$$R_m = \frac{(OAV_m)\cdot rr_m}{1-(1+rr_m)^{-(N-m)}}\cdot(1+i_m)$$

where rr_m and rn_m $= 0$ *for* $m = i \ldots 0$

C_m is an amount of tax allowances approved or determined by the Authority as being, in its opinion, a reasonable estimate of the tax allowances that will be [or are] available to the Licensee in month *m* for pipeline p and shall be calculated in accordance with UK treasury/Inland Revenue relevant rules applying at m;

T_m is the monthly tax calculation required to determine accumulated tax losses and subsequent tax payments calculated in accordance with the following formula;

R_m is the monthly post-tax revenue required to recover invested capital at the allowed rate of return calculated in accordance with the following formula;

Tr_m is the UK corporate rate of tax applying in month *m ;*

DI^p_t is the amount of debt interest approved or determined by the Authority as being, in its opinion, a reasonable estimate of debt interest payable in month m, by the Licensee, in respect of the amount of debt required to finance the construction of the pipeline p calculated in accordance with the following formula;

$$DI_m = (OAV_m) \cdot (g_m)\ (rdn_m)$$

where:

OAV_m is the opening asset value in month m

g_m is the level of financial gearing as determined by the Authority to apply at and with effect from each Review Date; as notified to the Licensee by the Authority

rdn_m is the regulatory allowed nominal cost of debt finance in month m calculated in accordance with the following formula;

$$rdn_m = \left((1 + rf_t + rp_t) \cdot (1 + i_t)\right)^{1/12} - 1$$

rf_t is the regulatory allowed real risk free rate on debt in year t as calculated in accordance with paragraph 5 of this Annex;

rp_t is the regulatory allowed real risk premium on debt in year t as calculated in accordance with paragraph 5 of this Annex.

3. Calculation of Allowed Operating Expenditure

The inflation adjusted allowed operating expenditure will be calculated in accordance with the formula:

$$O_t = AOE_t * (FRPI^{Mar}_t / FRPI^{Mar}_{t-1}) + IAL$$

Where:

IAL $= IA * (LIBOR^{Apr}{}_{t-1} + 2\%)$

IA $= AOE_{t-1} * (RPI^{Mar}{}_{t-1}/RPI^{Mar}{}_{t-2}) – AOE_{t-1} * (FRPI^{Mar}{}_{t-1} / FRPI^{Mar}{}_{t-2})$

AOE_t is the Allowed Operating Expenditure in Gas Year t.

$FRPI^{Mar}{}_t$ is the relevant forecast RPI figure for March of Gas Year t as determined by the Authority.

$LIBOR^{Apr}{}_{t-1}$ is the relevant LIBOR for the first Business Day in April of Gas Year t-1.

4. Calculation of SI_t

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

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

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.

rn_{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;

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

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

"The Supplemental Income Adjustment will be calculated as:

$$SI\ Adjustment = \sum_{i=n}^{t-3}\left((AASIi - ASIi) \cdot \prod_{j=i}^{t-1}(1 + r_j)\right)$$

Where:

SI Adjustment is a one-off correction to be carried out in the year following the agreement of the enduring charging mechanism.

AASI is the Adjusted Actual Supplemental Income, calculated following the agreement of the enduring charging mechanism for the years between prior to t-2.

n is the year of the first Supplemental Income which needs to be adjusted.

5. Rate of Return

The applicable Rate of Return is expressed on a vanilla weighted average cost of capital basis and will apply to the North West Pipeline, South North Pipeline, and each of the Spurs and any associated Postalised Distribution Pipelines.

(a) The nominal weighted average rate of return in month m is calculated according to the following formula:

$$rn_m = [1 + g_t\left((1 + d_t).(1 + i_t) - 1\right) + (1 - g_t).re_t]^{1/12} - 1$$

where:

rn_m is the nominal weighted average rate of return in month m;

re_t is the nominal post tax rate of return on equity in Gas Year t and shall be determined by the Authority to apply at and with effect from each Review Date, as notified to the Licensee by the Authority, taking account of (amongst other relevant considerations) the prevailing market rates at the time of the determination;

g_t is the level of financial gearing as determined by the Authority to apply at and with effect from each Review Date; as notified to the Licensee by the Authority.

d_t is the cost of debt as determined by the Authority to apply at and with effect from each Review Date, as notified to the Licensee by the Authority, taking account of (amongst other relevant considerations) the prevailing market rates at the time of the determination.

(b) The regulatory allowed real weighted average rate of return in month m is calculated according to the following formula:

$$rr_m = \frac{(1+rn_m)}{(1+i_m)} - 1$$

(c) The regulatory allowed nominal weighted average rate of return in Gas Year t is calculated according to the following formula:

$$rn_t = (1+rn_m)^{12} - 1$$

(d) Before determining the nominal post tax rate of return on equity, the level of financial gearing and the cost of debt that shall apply under and in accordance with paragraph (a) above at and with effect from the relevant Review Date, the Authority shall provide details of the proposed determinations and the reasons for them and give the Licensee an appropriate period (not being less than 28 days) to comment on them.

6. Pain/Gain Factor

The pain/gain factor shall be calculated in respect of the North West Pipeline and the South North Pipeline as follows:

(a) If, in respect of the relevant pipeline Actual Controllable Capital Expenditure is greater than Verified Controllable Capital Forecast:

(i). for any difference that is less than or equal to 10% of Verified Controllable Capital Forecast, the pain/gain factor shall be a positive figure equal to 75% of such difference;

(ii). for any difference that is more than 10% but less than or equal to 20% of Verified Controllable Capital Forecast, the pain/gain factor shall be a positive figure equal to the sum of: (aa) 75% of the 10% and (bb) 50% of the remaining element of the difference;

(iii). for any difference that is more than 20% but less than or equal to 30% of Verified Controllable Capital Forecast, the pain/gain factor shall be a positive figure equal to the sum of: (aa) 75% of the 10%, (bb) 50% of the 10-20%, and (cc) 25% of the remaining element of the difference; and

(iv). for any difference greater than 30% of Verified Controllable Capital Forecast, the pain/gain factor shall be calculated in accordance with (iii) and no additional adjustment in respect of any difference in excess of 30% shall apply.

(b) If, in respect of the relevant pipeline Actual Controllable Capital Expenditure is less than Verified Controllable Capital Forecast:

(i). for any difference that is less than or equal to 10% of Verified Controllable Capital Forecast, the pain/gain factor shall be a negative figure equal to 75% of such difference;

(ii). for any difference that is more than 10% but less than or equal to 20% of Verified Controllable Capital Forecast, the pain/gain factor shall be a negative figure equal to the sum of: (aa) 75% of the 10%, and (bb) 50% of the remaining element of the difference; and

(iii). for any difference that is more than 20% of Verified Controllable Capital Forecast, the pain/gain factor shall be a negative figure equal to the sum of: (aa) 75% of the 10%, (bb) 50% of the 10-20%, and (cc) 25% of the remaining element of the difference.

(c) For the avoidance of doubt the pain/gain factor for the Spurs shall be zero.

7. Error Correction Mechanism

k_m is an error correction mechanism to take account of variances in outturn and forecast variables including revenue, inflation, corporate tax rates and capital allowances and shall be calculated in accordance with the following formula:

$$k_m = \frac{(K_m)\cdot rr_m}{1-(1+rr_m)^{-(N-m)}}\cdot(1+i_m)$$

$$K_{m=k+1} = \left(\sum_{m=1}^{k}\frac{CRR^a{}_m - CRR^{rf}{}_m}{\prod_{m=1}^{k}(1+rn_m)}\cdot\prod_{m=1}^{k}(1+rn_m)\right).$$

where

$CRR^a{}_m$ and $CRR^f{}_m$ are actual and reforecast revenue in month m respectively up to k = month before review month:

such that

$$\sum_{m=k+1}^{N}\frac{CRR_m}{\prod_{m=k+1}^{N}(1+rn_m)}\cdot\prod_{m=1}^{k}\frac{1}{1+rn_m}+\sum_{m=1}^{k}\frac{CRR^a{}_m}{\prod_{m=1}^{k}(1+rn_m)} = OAV_{m=1}+PVT_{m=1}$$

$$K_m = K_{m-1} - \left(\frac{(K_{m-1})\cdot(rr_{m-1})}{1-(1+rr_{m-1})^{-(N-m)}} - (K_{m-1})\cdot(rn_{m-1})\right)$$

Condition 2.3: Connection Charges and Obligation to permit a Connection

2.3.1 Statement of connection charges and terms for connection to the Network

The Licensee shall, no later than three months after this Condition takes effect, prepare and submit to the Authority for approval as to form and content, a statement showing the methods by, and the principles on, which charges are to be determined by the Licensee, for, connecting to, and disconnecting from, the Network:

(a) subject to and in accordance with the requirements of Condition 2.3.13, any premises;

(b) any non standard gas meter and any gas meter that is owned or not owned by the Licensee (or any affiliate or related undertaking of the Licensee) and is located in any premises;

(c) any pipe-line system to or from which gas will be conveyed by means of the Network; and

(d) any Storage Facility or LNG Facility,

and in each case the statement shall include:

(i). the methods by, and principles on, which charges are to be determined by the Licensee for maintaining, repairing or modifying any connection between the Network and any premises or pipe-line system, Storage Facility or LNG Facility, including without limitation in the case of a connection between the Network and any premises, removing any gas fittings that are owned by the Licensee and comprised in the connection; and

(ii). the Licensee's other terms for such a connection, and an explanation of those terms together with the Licensee’s technical design and operational requirements which shall apply to the making of any particular, or particular type of, connection.

2.3.2 Explanation of connection charging methodology for introducing gas to the Network

The Licensee shall comply with any direction given by the Authority to submit a statement to the Authority for approval showing, so far as reasonably practicable, the methods by which and the principles on which charges are to be made by the Licensee for making a connection for the purposes of introducing gas into the Network and, in the context of making such a connection, for:

(a) modifying apparatus and works associated with a pipe-line so as to increase the capacity of a pipe-line; or

(b) supplying and installing any pipe-line or works,

including where practicable an indication of likely costs and other terms for the making of such a connection.

2.3.3 Other requirements to be included in the statement

A statement submitted to the Authority by the Licensee under Condition 2.3.1 shall:

(a) subject to Condition 2.3.12, clearly distinguish between cases and classes of cases of person for whom the Licensee proposes different methods by, or principles on which charges are to be determined for connection; and

(b) in respect of any such case, or class of cases, show that element of connection costs the Licensee proposes to recover by way of conveyance charges to gas suppliers, including any Separate Business engaged in the supply of gas.

2.3.4 The statement to give likely indication of costs

A statement submitted to the Authority by the Licensee under Condition 2.3.1 shall:

(a) where practicable, indicate for the Authority's information the costs likely to arise in respect of work done and materials used in connecting any premises, gas meter (including a non standard gas meter, or a gas meter owned or not owned by the Licensee), pipe-line system, Storage Facility or LNG Facility;

(b) include such information as will reasonably enable any person to estimate the Licensee's connection charges in connecting any premises, gas meter (including a non standard gas meter, or a gas meter owned or not owned by the Licensee), pipe-line system, storage Facility or LNG Facility; and

(c) include such information as will reasonably enable any person requesting a connection to the Network to determine the works and/or other actions he would need to undertake, including, without limitation, any work or action required to comply with the Licensee’s technical design and operational requirements, in order for the connection to be made.

2.3.5 Authority's approval

The Authority shall, in approving the Licensee's basis for charging for connection as set out in the statement submitted to it by the Licensee under Condition 2.3.1, have regard to the need of the Licensee to be able to finance the carrying on of its activities and obtain a return equal to that which is, in the reasonable opinion of the Authority, appropriate.

2.3.6 Publication of and compliance with statement

The Licensee shall:

(a) put in place and comply with the statement, as approved by the Authority under Condition 2.3.5;

(b) publish each approved statement in such manner as will secure adequate publicity for it; and

(c) send a copy of any such statement to any person who requests one.

2.3.7 Direction by the Authority

Where the Authority determines that it is necessary for the Licensee to revise:

(a) the methods and principles on which it has determined the charges and other terms for connection in the latest published statement; and/or

(b) the charges and other terms for connection it has determined and included in the latest published statement,

in order to ensure that they are (or continue to be) proportionate and applied in a non-discriminatory manner, the Authority may direct the Licensee to revise its methods, principles, charges or terms (as the case may be) in accordance with the provisions of the direction.

2.3.8 Revising connection charges

Without prejudice to Condition 2.3.7, the Licensee shall:

(a) periodically, and on each occasion Condition 2.3 is modified, review its published statement for compliance with the Licensee's obligations under the Licence and propose, and submit to the Authority for approval, any changes necessary in light of the review;

(b) not revise the basis of its charges for a connection of any premises, gas meter (including a non standard gas meter, or a gas meter owned or not owned by the

Licensee), pipe-line system, Storage Facility or LNG Facility, or the other terms for connection, without first giving the Authority a revised statement in the same terms as Condition 2.3.1 and, where such revision is other than any increase in the Retail Prices Index, obtaining Authority's approval to such a revision.

2.3.9 Compliance with a Direction

The Licensee shall comply with the requirements of any direction issued by the Authority under Condition 2.3.7 and shall publish any revised statement as soon as reasonably practical in accordance with Condition 2.3.6.

2.3.10 Connection and Quotation Requests

The Licensee shall:

(a) within 28 days of receiving a request from any person for a connection to the Network in respect of a gas meter (including a non standard gas meter, or a gas meter owned or not owned by the Licensee), pipe-line system, Storage Facility or LNG Facility, or to introduce gas into the Network, or for a quotation of connection charges likely to apply in respect of a connection to the Network, provide that person with a specific statement of the connection charges, and other terms of connection, applicable to the request;

(b) within 10 days of receiving a request for a connection to the Network from any person requesting a connection in respect of any type of premises not included within paragraph (a) above:

(i) inform that person that the approval of the Authority is required to the making of the connection; and

(ii) submit a copy of the connection request to the Authority, together with such supporting information as the Authority may reasonably require for the purposes of its approval decision;

(c) where following receipt of the information referred to in paragraph (b)(ii) above the Authority gives its approval to the making of the connection, within 28 days of receiving the Authority's approval provide the person requesting the connection with a specific statement of the connection charges, and other terms of connection, applicable to the request.

2.3.11 Treatment of Request for Connection and Quotation

For the purposes of Conditions 2.3.10(a) and (b) and the Licensee's obligation to provide a specific statement of connection charges, a request for a connection to the Network and quotation of the applicable connection charges shall be treated as such if it is in such form that it can be reasonably expected of the Licensee to provide a specific statement of connection charges in response to it.

2.3.12 Prohibition on undue discrimination

The Licensee shall not show any undue preference towards or undue discrimination against any person or cases or classes of cases of person (including any other business of the Licensee):

(a) seeking, and entitled pursuant to the provisions of Condition 2.3.14, a connection to be made between their premises and the Network;

(b) seeking a connection to be made between a non standard gas meter, or a gas meter owned or not owned by the Licensee (or any affiliate or related undertaking of the Licensee), and the Network;

(c) that own or operate (or proposes to own or operate) a pipe-line system, a Storage Facility or an LNG Facility and seek a connection of that system or facility to the Network;

(d) seeking a connection for the purposes of introducing gas to the Network.

2.3.13 Connection of Premises – Requirement for Authority Approval

The Licensee shall not make or agree to make a connection between any premises (other than any premises which may constitute a Storage Facility or LNG Facility) and the

Network without the prior written approval of the Authority to the making of that connection.

2.3.14 Requests for Connection –Obligation to Connect

Where:

(a) the Authority gives approval to the making of a connection between a premises and the Network (the '**relevant premises**'); and

(b) the person seeking the connection is willing to pay the Licensee's charges for connection and comply with the Licensee's other terms for connection, including in relation to compliance with any technical and safety criteria contained in the Network Code and the Licensee’s technical design and operational requirements (the 'relevant terms'),

the Licensee shall make the connection between the relevant premises and the Network in accordance with the applicable legislation and relevant terms or permit the connection to be made (as the case may be).

2.3.15 Connection of other systems and facilities – Obligation to Connect

Where the person seeking a connection to the Network of any gas meter (including a non standard gas meter, or a gas meter owned or not owned by the Licensee), pipe-line system, Storage Facility or LNG Facility or seeking a connection for the purposes of introducing gas to the Network, is willing to pay the Licensee's charges for connection and comply with the Licensee's other terms for connection, including in relation to compliance with any technical and safety criteria contained in the Network Code and the Licensee’s technical design and operational requirements (the 'relevant terms'), the Licensee shall make the connection requested in accordance with the applicable legislation and relevant terms or permit the connection to be made (as the case may be).

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 2.4D.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.

2.3.17 Resolution of disputes by the Authority

Where:

(a) there is a dispute between the Licensee and any person entitled or claiming to be entitled to a connection to the Network in respect of the terms of an agreement for the connection to be made ('connection agreement'), any party to the dispute may make an application to the Authority for determination of the terms of the connection agreement.

(b) the Authority receives an application pursuant to sub-paragraph (a) and the dispute:

   (i) has not previously been referred by either party to the Consumer Council for Northern Ireland for investigation; or

   (ii) has previously been referred by one of the parties to the Consumer Council for Northern Ireland but the Consumer Council for Northern Ireland has advised the Authority that it has not concluded its investigation of the dispute,

   the Authority may refer the dispute to the Consumer Council for Northern Ireland for the purposes of enabling the Consumer Council for Northern Ireland to assist the parties in the resolution of the dispute;

(c) the Authority refers the dispute to the Consumer Council for Northern Ireland under paragraph (b) it will at the same time inform the parties of that referral;

(d) the Consumer Council for Northern Ireland has not been able to assist the parties in the resolution of the dispute within 3 months of the Authority's referral under paragraph (b) (the 'applicable timescale'), either party to the dispute may refer the matter back to the Authority for determination;

(e) a dispute referred to the Authority under paragraph (a):

  (i) is not referred by the Authority to the Consumer Council for Northern Ireland under paragraph (c); or
  (ii) is referred by the Authority to the Consumer Council for Northern Ireland under paragraph (c) but is referred back to the Authority under paragraph (d),

  the Authority may, having given both parties not less than one month in which to make any further representations, settle the terms of the connection agreement in such manner as appears to the Authority to be reasonable having regard (insofar as is relevant and appropriate) to the obligations that would otherwise have applied to the Licensee under this Condition 2.3; and

(f) the person entitled or claiming to be entitled to a connection to the Network wishes to proceed on the basis of the terms the connection agreement as settled by the Authority, the Licensee shall forthwith enter into and implement such agreement in accordance with its terms.

2.3.18 Interpretation and construction

References in this Condition 2.3 to:

(a) "**charges**" shall include references to means whereby such charges may be ascertained.

(b) “**premises**” includes any land, building or structure.

Condition 2.4: Not Used

Condition 2.4A Compliance with System Operator Agreements

2.4A.1 Agreements for interoperability of systems

Where the Licensee is under and in accordance with Article 8H of the Order designated as a transmission system operator or is designated as a distribution system operator (as the case may be), it shall use all reasonable endeavours to enter into an agreement with:

(a) any other person holding a licence granted under Article 8(1)(a) of the Order;

(b) any person holding a licence granted under Article 8(1)(b) of the Order; and

(c) any person holding a licence granted under Article 8(1)(d) of the Order,

which agreement:

(d) relates to the interaction or interoperability of the Licensee's Network with that person's gas transmission system, gas distribution system, gas storage facility or LNG facility (as the case may be); and

(e) ensures that the conveyance of gas between the Licensee's Network and that other system or facility is undertaken in a manner which is compatible with the secure and efficient operation of the Licensee's Network and that other system or facility.

2.4A.2 Minimum Requirements – Technical Rules

Each agreement entered into by the Licensee in accordance with Condition 2.4A.1 shall set out (either directly or by reference to a separate document) the Licensee's technical design and operational requirements as applicable to the connection, interaction and interoperability between the Licensee's Network and the other system or facility, which requirements shall be objective and shall not show any undue discrimination between persons or classes of person.

2.4A.3 Approval by the Authority

The Licensee shall not require any person to enter any agreement of the type referred to in Condition 2.4A.1 unless the agreement, and where applicable any amendment to the agreement, has first been submitted to and approved by the Authority.

2.4A.4 Obligation to enter into agreements

Where the Licensee is required, either by a designated transmission system operator or by a designated distribution system operator (and in accordance with that person's licence), to enter into an agreement of the type mentioned in Condition 2.4A.1, the Licensee shall enter into any such agreement as may be reasonably required by that designated transmission system operator or distribution system operator (as the case may be).

2.4A.5 Network operator agreement

Without prejudice to Condition 2.4A.3, where the Licensee is a designated transmission system operator it shall enter into and comply with the Single System Operator Agreement (being the document of that name specified as such from time to time by the Authority).

Condition 2.4B: Compliance with European Requirements

2.4B.1 The Licensee shall enter into such agreement as may reasonably be required by a Gas Transporter for the purposes of:

(a) facilitating the Licensee's or the Gas Transporter's compliance with a European Network Code; or

(b) giving full and timely effect to any relevant legally binding decision of the Agency or the European Commission which relates to the activities of the Licensee or the Gas Transporter.

2.4B.2 Where the Licensee is a party to an agreement:

(a) entered into pursuant to paragraph 2.4B.1; or

(b) which relates to activities that fall within the scope of a European Network Code (or to activities connected to such activities),

the Licensee shall take such steps and do such things as are within its power to amend any such agreement as may be necessary from time to time to:

(c) comply with the European Network Code;

(d) give full and timely effect to any relevant legally binding decision of the Agency or the European Commission.

2.4B.3 The Licensee shall not enter into an agreement, or amend or agree to amend an agreement, to which it is party pursuant to the requirements of paragraph 2.4B.1 or 2.4B.2 unless:

(a) the agreement or proposed amendment (as the case may be) has first been submitted to the Authority by the Licensee; and

(b) the Authority has given its approval to the agreement or proposed amendment (as the case may be).

2.4B.4 The Licensee shall comply with any direction issued to it by the Authority requiring it to enter into an agreement, or to amend or agree to amend an agreement to which it is a party, for the purposes of:

(a) facilitating compliance with a European Network Code;

(b) giving full and timely effect to any relevant legally binding decision of the Agency or the European Commission relating to the conveyance of gas through pipe-lines or activities connected with the conveyance of gas through pipe-lines.

2.4B.5 In this Condition:

Agency	means the Agency for the Cooperation of Energy Regulators established by Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009.
European Network Code	means a network code adopted by the European Commission pursuant to or in accordance with Article 6 of Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks.
Gas Transporter	means any person holding a high pressure licence granted (or treated as granted) under: (a) Article 8(1)(a) of the Order and which is also a high pressure pipeline under Article 36(8) of the Order, (b) section 7 of the Gas Act 1986; (c) section 7ZA of the Gas Act 1986; or (d) section 16(1)(b) of the Gas (Interim)(Regulation) Act 2002.

Condition 2.4C: Not Used

Condition 2.4D: Single Network Code

Licensee's Obligations

2.4D.1 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, by 1 October 2017 or by such later date as may be directed by the Authority, take all reasonable steps to:

(a) prepare, provide to the Authority for its approval, and at all times have in force a Single Network Code, being a document which:

(i) sets out the terms and arrangements established by the Licensee and every other HP Conveyance Licensee for the conveyance of gas, being arrangements other than those to which Conditions 2.2 and 2.3 relate, in respect of the Networks of the HP Conveyance Licensees;

(ii) is designed to facilitate achievement of the "relevant objectives" set out in paragraph 2.4D.2;

(iii) provides for the matters set out in paragraph 2.4D.3;

(iv) provides for mechanisms for the resolution of any disputes arising in relation to any of the provisions of the Single Network Code; and

(b) put in place appropriate contractual arrangements, approved by the Authority, which require compliance with the Single Network Code by the Licensee, every other HP Conveyance Licensee, the Users, and any third parties who may become parties to the Single Network Code.

Objectives

2.4D.2 The "relevant objectives" of the Single Network Code referred to in paragraph 2.4D.1(a)(ii) are:

(a) the secure, safe, reliable, efficient and economic development and operation and maintenance of the Network, with due regard to the environment; and

(b) subject thereto:

(i) the efficient discharge of and compliance with the obligations imposed on the Licensee and each HP Conveyance Licensee by their respective gas conveyance licensees; and

(ii) subject to sub-paragraph (b)(i), the promotion of effective competition between Users.

Relevant Matters

2.4D.3 The Single Network Code shall provide for such matters as may be specified by the Authority and which include:

(a) measures for the balancing of the HP System;

(b) the methodology used to procure the gas required for the balancing of the HP System;

(c) the methodology by which the charges are to be levied on Users for the balancing of the HP System;

(d) the technical safety criteria applicable to the operation of the HP System.

Other Arrangements for the Conveyance of Gas

2.4D.4 Subject to the provisions of Conditions 2.2 and 2.3, the Licensee shall not, except in so far as the Authority consents to the Licensee doing so, put in place or require any person to accept or enter into terms for the conveyance of gas except in accordance with the Single Network Code.

Referring Matters to the Authority

2.4D.5 Where a term of the Single Network Code or of the modification rules referred to in Condition 2.4D.6 is framed so that its proper implementation is to be determined with regard to whether it facilitates the achievement of the relevant objectives, either the Licensee or any other party to the Single Network Code who has entered into arrangements to which that term applies, may, to the extent that the term so provides, refer to the Authority for determination any question as to whether a manner in which the Licensee proposes to implement the term would secure that objective.

Code Modification Procedures

2.4D.6 The Licensee shall, acting in conjunction and co-operation with every other HP Gas Conveyance Licensee, take all reasonable steps to establish and implement procedures for the modification of the Single Network Code, subject to the provisions of this Condition, so as to better facilitate the achievement of the relevant objectives and which will enable:

(a) the Single Network Code to be reviewed;

(b) modifications to be proposed by the Authority, the Licensee, any HP Conveyance Licensee or any other party to the Single Network Code;

(c) adequate publicity to be given to any proposal by:

(i) drawing it to the attention of other parties to the Single Network Code;

(ii) sending a copy of it to anyone who asks for one; and

(iii) making it otherwise available in an appropriate manner where it is necessary for establishing whether the proposal would better facilitate the achievement of the relevant objective;

(d) the preliminary views of the Authority to be sought in relation to any matter arising on a proposal to modify the Single Network Code; and

(e) the representations or objections, with respect to any proposal to modify the Single Network Code, made (and not withdrawn) by any other party to the Single Network Code and by other persons who are likely to be materially affected by the proposal to be properly considered.

Modification Rules

2.4D.7 Subject to Standard Condition 2A, the Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to:

(a) prepare "the modification rules", that is to say a document setting out the terms of the procedures established under Condition 2.4D.6, and shall furnish the Authority with a copy of the modification rules for approval by no later than 6 weeks prior to 1st October 2017.

(b) ensure that no amendment is made to the modification rules except:

(i) after consulting the other parties to the Single Network Code;

(ii) after furnishing the Authority with a report on such consultation and consideration; and

(iii) with the consent of the Authority;

(c) furnish the Authority with a copy of any modification so made.

Prohibition on irregular modifications

2.4D.8 Subject to Standard Condition 2A, the Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, shall not modify the Single Network Code except:

(a) to comply with Condition 2.4D.9(c); or

(b) otherwise, with the consent of the Authority,

and shall furnish the Authority with a copy of any modification made.

Role of Authority in modifications

2.4D.9 Subject to Standard Condition 2A, where a proposal is made pursuant to the modification rules to modify the Single Network Code, the Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee:

(a) refer for determination by the Authority any question whether the representations or objections by any other party to the Single Network Code or by any other person in respect of the proposal have been properly considered in accordance with those rules;

(b) as soon as reasonably practicable, give notice to the Authority:

(i) giving particulars of the proposal;

(ii) where the proposal is made by any other party to the Single Network Code, giving particulars of any alternative proposal by the Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, to modify the Single Network Code in respect of the same matter;

(iii) giving particulars of any representations or objections made by a party to the Single Network Code or by any other person in respect of those proposals;

(iv) stating whether in its view any proposed modification should or should not be made;

(v) stating the factors which it believes justify making or not making the proposed modification; and

(vi) giving such further information as may be prescribed by the modification rules;

(c) comply with any direction given by the Authority to the Licensee and to all other HP Conveyance Licensees to make a modification to the Single Network Code in accordance with a proposal described in a notice given to the Authority under sub-paragraph (b) which, in the opinion of the Authority will, as compared to the existing provisions of the Single Network Code or any alternative proposal, better facilitate the achievement of the relevant objective.

Publication of the Single Network Code

2.4D.10 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to:

(a) publish the Single Network Code and the modification rules (as modified from time to time) in such form and manner as the Authority may from time to time direct; and

(b) send a copy of the Single Network Code and modification rules (as modified from time to time) to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct.

Authority to determine material effect on persons of transportation arrangements

2.4D.11 Except in so far as the Authority otherwise consents, the Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, refer for determination by the Authority any question as to whether a person is likely to be materially affected by a proposal to modify the Single Network Code.

Reasons for refusal of access

2.4D.12 The Single Network Code prepared in accordance with this Condition shall require the Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, to give duly substantiated reasons for any refusal of access to any pipeline forming part of the Network.

Prohibition on undue discrimination

2.4D.13 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, ensure that it does not show an undue preference for or undue discrimination against any person or class or classes of person:

(a) in assessing, in conjunction and co-operation with any every other HP Conveyance Licensee, a person's application to become a party to the Single Network Code; and/or

(b) in its interpretation of the Single Network Code and the application of procedures contained in the Single Network Code.

Definitions

2.4D.14 In this Condition:

HP Conveyance Licensee	has the same meaning given to it in Condition 2.17 (Single System Operation of the High Pressure Gas System)
User	means, as the context requires, any gas supplier or any person acting on behalf of a gas supplier, who has made, or seeks to make, arrangements with the Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, in

pursuance of which gas is, or is to be, conveyed through the HP System and/or any gas conveyance transmission system forming part of the HP System.

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:

Gormanston Interconnection Agreement	means: (a) 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 (b) any agreement which, whether in consequence of the termination of the agreement referred to in paragraph (a) or otherwise, is or is proposed to: (i) be entered into between all of the parties to the agreement referred to in paragraph (a); and (ii) include provisions which concern or relate to the same subject matter as the provisions in the agreement referred to in paragraph (a).

Condition 2.5: Provision and Return of Meters

2.5.1 Provision of Meters

The Licensee shall comply with any reasonable request by any gas supplier wishing to supply gas to premises directly connected to the Network to provide and install at those premises a gas meter belonging to the Licensee being of an appropriate type, specified by the gas supplier, if a meter of that type is readily available to the Licensee and the gas supplier agrees to pay the Licensee's charges in respect of the provision and installation of the meter, such charges to have been determined using such principles and methodology as shall have been agreed with the Director.

2.5.2 Installation of Gas Suppliers' Meter

The Licensee shall comply with any reasonable request by any gas supplier wishing to supply gas to premises to install at those premises a gas meter of an appropriate type belonging to the gas supplier (or the owner or occupier of the premises) if the gas supplier agrees to pay the Licensee's charges in respect of the installation of that meter and any subsequent disconnection.

2.5.3 Prohibition of undue discrimination

The Licensee shall not show any undue preference towards or undue discrimination against any gas supplier seeking the provision and/or installation of a gas meter under this Condition 2.5.

2.5.4 Disconnection of Meters

Subject to Condition 2.5.5, where any gas meter owned by the Licensee is disconnected by or returned to the Licensee, it shall promptly make an appropriate record of the details displayed on the register of the meter at the time of disconnection or return and of such other information in its possession as shall subsequently enable the entity and time of disconnection or return of the meter and the premises from which it was disconnected to be ascertained and shall keep such a record for a period of not less than two years from the date of the later of such disconnection or return.

2.5.5 Safe Custody of Meters

Where the Licensee has reasonable cause to believe that any gas meter owned by it and disconnected by or returned to it is the subject of:

(a) any investigation in relation to proceedings or possible proceedings relating to the alleged theft of gas by any person; or

(b) a dispute as to the accuracy of the meter;

the Licensee shall use all reasonable endeavours to keep the meter in safe custody in the condition in which it was disconnected or returned and with the register unaltered:-

(a) during the period of six months beginning with the date on which the meter was disconnected or returned, for so long as the Licensee has reasonable cause to believe that the meter is or may be so relevant; and

(b) thereafter, for so long as, to the Licensee's knowledge, the meter is so relevant.

2.5.6 Provision of Information

Where the Licensee is notified, pursuant to any regulations made under Article 22 of the Order, of the connection or disconnection of any meter at any premises, it shall promptly give to the gas suppliers in respect of those premises the information so notified and furnish any further information as such gas suppliers may reasonably request relating to the meter and which the Licensee either has or may readily obtain.

Condition 2.6: Conduct of Transportation Business

2.6.1 Conduct of business activities

The Licensee shall conduct its business activities relating to the conveyance of gas in the manner best calculated to secure that neither:

(a) the Licensee or any affiliate or related undertaking of it or any company of which the Licensee is an affiliate or related undertaking; nor

(b) any other Licence holder or exemption holder;

obtains any unfair commercial advantage in any business in the storage or supply of gas including, in particular, any such advantage from a preferential or discriminatory arrangement.

2.6.2 Disclosure of information

The Licensee shall:

(a) use its best endeavours to secure that any information relating to or derived from its Licensed Business is not disclosed for the benefit, or used for the purposes, of:

(i) any trading business, affiliate or (so far as the Licensee can require it) related undertaking of the Licensee;

(ii) any company of which the Licensee is an affiliate or related undertaking; and

(b) subject to paragraph (a) above, not show any undue discrimination against, or undue preference towards, any person or class of person, in disclosing any information relating to its Licensed Business which may be commercially advantageous to any other person.

2.6.3 Exempt information

Condition 2.6.2 shall not extend to:

(a) information specified in any consent to non-compliance with that Condition given by the Authority to the Licensee; or

(b) information relating to a particular Licence or exemption holder which that party has consented in writing to being used or disclosed in accordance with the terms of that consent; or

(c) information which it is necessary for the trading business to use or disclose in order to enter into and comply with arrangements for the conveyance of gas; or

(d) information which is in the public domain (other than as a result of contravention by the Licensee of any Condition of the Licence); or

(e) information which is required to be disclosed pursuant to a Condition of the Licence.

2.6.4 Additional definition

In this Condition "trading business" means activities connected with the acquisition and disposal of gas in Northern Ireland other than for the efficient operation of the Network operated by the Licensee or for replacing gas lost from the Network.

Condition 2.6A Provision of information to a relevant gas licence holder

2.6A.1 Obligation to provide information

The Licensee shall furnish to any relevant gas licence holder such information concerning the operation and technical specifications of the Network in such manner and at such times as may:

(a) reasonably be required by that relevant gas licence holder to enable it to comply with its obligations under its own gas conveyance or gas storage licence or under any document established pursuant to a gas licence; or

(b) be specified in directions issued from time to time by the Authority to the Licensee for the purpose of this Condition 2.6A.1, having taken into consideration any representations made to the Authority by the Licensee and any relevant gas licence holder, and in accordance with any conditions contained in such directions.

2.6A.2 Ability to refuse

The Licensee shall be entitled to refuse to provide information under Condition 2.6A.1 on the grounds that its disclosure would seriously and prejudicially affect the commercial interests of the Licensee unless and until the Authority, by notice in writing given to the Licensee, directs it to provide that information on the ground that provision thereof is necessary or expedient for the purpose mentioned in Condition 2.6A.1.

2.6A.3 Excluded information

This Condition 2.6A shall not require the Licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before the High Court.

2.6A.4 Arrangements for protecting confidentiality

The Licensee shall not be obliged under Condition 2.6A.1(a) to provide information to any relevant gas licence holder which has not established, whether in pursuance of a licence condition or otherwise, effective arrangements designed to secure that information provided in pursuance of this condition (and similar licence conditions) is not communicated, directly or indirectly, to any gas supplier or any person acting on behalf of a gas supplier who has made or seeks to make arrangements with that licensee in pursuance of which gas is conveyed through that licensee's network.

2.6A.5 <u>Definitions and interpretation</u>

In this Condition 2.6A, unless the context otherwise requires:

(a) "relevant gas licence holder" means any holder of a licence granted pursuant to Article 8(1)(a) or 8(1)(b) of the Order and/or any holder of a licence to convey (whether by transmission pipe-lines or distribution pipe-lines) or store gas granted under the relevant legislation of a jurisdiction other than Northern Ireland; and

(b) references to "licence" and "gas supplier" shall not be limited to licences granted under, or gas suppliers operating pursuant to licences or exemptions granted under, the Order.

<u>Condition 2.7: Emergency Services and Obligations</u>

2.7.1 <u>Emergency telephone service</u>

The Licensee shall, in co-ordination with all other relevant persons:

(a) establish, or procure the establishment of, and subsequently operate and maintain, or procure the subsequent operation and maintenance of a single continuously attended telephone service (including reasonable facilities to communicate with deaf or partially hearing persons):

(i) for the receipt of reports of escapes of gas in respect of which the Licensee or such other relevant person may have obligations under Article 60 of the Order or under any regulation made by the Department under Schedule 5 paragraph 2 of the Order; and

(ii) for the Licensee to be informed of any escapes of gas in respect of which it may have such obligations; and

(b) secure adequate publicity for the service and its telephone number, having regard, in particular, to the special needs of blind and partially sighted persons.

2.7.2 <u>Prevention of gas escapes</u>

Where any gas escapes from the Network, the Licensee shall, as soon as reasonably practicable after being informed of the escape, attend the place where gas is escaping and the Licensee shall take all necessary steps to prevent an escape of gas from any part of the Network or otherwise in any premises directly connected to the Network within 12 hours of receiving a report of such an escape (or earlier if becoming aware of the same) and, subject to Condition 2.7.3, the Licensee shall make arrangements whereby, in preventing an escape of gas in any premises to which it conveys gas:

(a) the prevention is effected, so far as it is reasonably practicable and safe to do so:

(i) by carrying out any appropriate minor appliance repairs; and

(ii) by a person adequately trained in recognising the signs of leakage of carbon monoxide and instructed to report any such signs to the owner or occupier of the premises; and

2.7.3 <u>Application of Condition 2.7.4</u>

Condition 2.7.4 shall apply in relation to:-

(a) non-domestic consumers who are supplied with gas on terms on which the supply of gas may be interrupted or reduced in pursuance of directions given under section 2(1)(b) of the Energy Act 1976, and

(b) the premises of such non-domestic consumers.

2.7.4 <u>Priority for maintenance of supply</u>

Where the Licensee considers that, for reasons of safety (unrelated to particular premises or a particular locality), the supply of gas to any non-domestic consumer to whom this Condition applies or the conveyance of gas to their premises need to be interrupted, reduced or restricted, it shall, so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety:-

(a) when telling a non-domestic consumer that he should use his best endeavours to refrain from using gas, in pursuance of such a term of that consumer's contract for the supply of gas, or

(b) when interrupting or restricting the conveyance of gas,

give priority to the maintenance of the supply of gas to consumers on the priority list required by Condition 2.7.6 and the conveyance of gas to their premises.

2.7.5 <u>Consultation with the Authority</u>

Where the reasons of safety referred to in Condition 2.7.4 relate to the whole or a substantial part of Northern Ireland or there is a significant shortage of gas affecting the whole or a substantial part of Northern Ireland, the Licensee shall consult with the Authority on the taking of any such steps as are mentioned in Condition 2.7.6(a) or (b) and, so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety, shall do so before taking any such steps.

2.7.6 Priority List

The Licensee shall:-

(a) unless it has done so before being licensed, establish a list of non-domestic consumers who should be given priority as respect the maintenance of a supply of gas and the maintenance of the conveyance of gas to their premises, and

(b) review, and so far as appears appropriate, amend the list from time to time, after consultation with relevant gas suppliers, and, without prejudice as aforesaid, shall conduct such a review and make any such amendments on being directed so to do by the Authority.

And, if the Authority has designed criteria to be taken into account when such a list is established or revised, the Licensee shall so take account of those criteria.

2.7.7 Determination by the Authority

Any questions arising under this Condition as to whether a particular non-domestic consumer satisfies the designed criteria shall be determined by the Authority.

2.7.9 Definition

In this Condition 2.7

"relevant persons"	means all persons that undertake in Northern Ireland the activities specified in Article 6(1)(a) of the Order.

Condition 2.8: Maintenance of Records

2.8.1 Recorded information

The Licensee shall hold in an appropriate form recorded information, insofar as the Licensee is reasonably able to acquire it, as to:

(a) every premises and pipe-line system to which gas has been conveyed by means of the Network during the relevant period;

(b) every third party who has arranged with the Licensee for gas to be conveyed by means of the Network at any place referred to in Condition 2.8.1(a) during the relevant period;

(c) insofar as the Licensee has been furnished with the information, in respect of each premises referred to in Condition 2.8.1(a) every gas supplier who has supplied during the relevant period gas which has been conveyed to those premises by means of the Network;

(d) insofar as the Licensee has been furnished with the information, the ownership of every meter first installed after the outlet of the final control valve of the service pipe at any premises referred to in Condition 2.8.1(a) for ascertaining the quantity of gas conveyed to the premises by means of that system during the relevant period;

(e) any information contained in a notice given to the Licensee under any regulations made by the Authority under Article 22 of the Order during the relevant period; and

(f) any information which has been provided to the Licensee by any other Licensee or exemption holder whether directly or indirectly pursuant to the conditions of his Licence or exemption.

2.8.2 Additional definition

In this Condition, "the relevant period" means the preceding five years or such shorter period to which the Authority may consent in respect of any of the above requirements.

Condition 2.8A: Regional Co-operation

Application

2.8A.1. This Condition shall apply where:

(a) any affiliate or related undertaking of the Licensee is carrying on the activities of an Associated Business; and

(b) the Licensee has, in conjunction with any Other Transmission System Operator, established an undertaking (the Joint Undertaking) for the purposes of engaging in Regional Cooperation.

Compliance Programme

2.8A.2. Where this Condition applies the Licensee shall:

(a) use its reasonable endeavours to ensure that the Joint Undertaking prepares and submits to the Agency for its approval a compliance programme; and

(b) appoint a senior officer to act as compliance officer for the purpose of monitoring the Joint Undertaking's compliance with the compliance programme.

Non-Discrimination

2.8A.3. The compliance programme shall set out the measures the Joint Undertaking intends to take to ensure that it does not, in carrying on it activities :

(a) unduly discriminate as between any persons or class or classes of persons; or

(b) restrict, prevent or distort competition in the conveyance, storage, or supply of gas.

Definitions

2.8A.4. In this Condition:

"Agency"	means the Agency for the Cooperation of Energy Regulators as established under Regulation (EC) 713/2009 of the European Parliament and of the Council.
"Associated Business"	means any business of any affiliate or related

	undertaking of the Licensee which is carrying out activities consisting of the production, conveyance, storage or supply of gas in any member state of the European Union;
"Other Transmission System Operator"	means any person responsible for operating, maintaining and/or developing a gas transmission system in another member state of the European Union; and
"Regional Cooperation"	means the cooperation of transmission system operators at a regional level, in respect of such geographical areas as are defined in accordance with Article 12(3) of Regulation (EC) No. 713/2009 or as otherwise agreed between relevant transmission system operators, in respect of cross-border issues for the purpose of creating a competitive internal market, fostering consistency and facilitating integration.

Condition 2.9: Powers of Licensee under Article 13 of the Order

2.9.1 The provisions of:

(a) Schedule 2; and

(b) Schedule 3;

of the Order shall apply to the Licensee.

Condition 2.10: Network Forecasts

2.10.1 Network Forecasts

The licensee shall comply with a direction given by the Authority, which may be revised from time to time, to prepare and publish a statement in such form as may be specified in the direction giving, with respect to each of the 10 succeeding years beginning with **1 October 2022** such information by way of forecasts of:

(a) the use, to the best of the Licensee's knowledge and belief, likely to be made of the Network or any part of the Network by persons authorised to convey, store or supply gas under Article 8 of the Order (including the Licensee and any affiliate or related undertaking of the Licensee); and

(b) the likely developments to the Network which the Licensee expects from time to time to be taken into account in determining the charges for making connections to that system and for entering into arrangements for the conveyance of gas;

as will assist:

(c) a person seeking to connect a pipe-line of his to the Network or enter into arrangements for the conveyance of gas in identifying and evaluating the opportunities for so doing; and

(d) the Authority to monitor issues relating to security of supply.

2.10.2 Single Statement with other Designated Pipeline Operators

The Licensee shall, acting in conjunction and co-operation with every other Designated Pipeline Operator, take all reasonable steps to prepare a single statement in accordance with paragraphs 1 and 3.

2.10.3 Revised Network forecasts

Except in so far as the Authority consents to the Licensee not doing so, the Licensee shall, on an annual basis, prepare a revision of any statement prepared under Condition 2.10.1 so as to ensure that, so far as reasonably practicable, the information in the revised statement is up to date.

2.10.4 Provision and Publication of forecasts

The Licensee shall, subject to any requirement to comply as is appropriate with the listing rules (within the meaning of Part VI of the Financial Services and Markets Act 2000) of the Stock Exchange and with Condition 2.10.5:

(a) no later than the first working day of August 2022, and then annually no later than the first working day of August in each calendar year thereafter, furnish the Authority with a copy of the statement prepared under Condition 2.10.1 and of each revision of the statement prepared under Condition 2.10.3;

(b) amend that statement in line with any requirements specified by the Authority;

(c) no later than the last working day of September in each calendar year, publish that statement on a suitable website; and

(d) send a copy of the statement and of each revision to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct.

2.10.5 Particular interests

In complying with the requirements of Condition 2.10.4(b) and (c), the Licensee shall have regard to the need for excluding, so far as practicable:

(a) any matter which relates to the affairs of an individual, where the publication of that matter would or might seriously and prejudicially affect the interests of that individual; and

(b) any matter which relates specifically to the affairs of a particular body of persons, whether corporate or unincorporated where publication of that matter would or might seriously and prejudicially affect the interests of that body.

2.10.6 Determination by Authority of Particular interests

Except in so far as the Authority consents to the Licensee not doing so, the Licensee shall refer for determination by the Authority any question as to whether any matter seriously and prejudicially affects the interests of an individual or a body of persons.

2.10.7 Definition

"Designated Pipeline Operator"	In this Condition: has the meaning given to it in [Condition 2A.1] of this Licence.

Condition 2.11: Cross Border Capacity

Interconnected Networks

2.11.1. This Condition applies where any part of the Licensee's Network is connected to a transmission pipe-line that is not wholly or mainly located in the United Kingdom (the **Other Network**).

Integration and Capacity Demand

2.11.2. Where this Condition applies, the Licensee shall, in developing, operating and maintaining the Licensee's Network, ensure that it has sufficient capacity to:

(a) optimise integration between the Licensee's Network and the Other Network; and

(b) accommodate all economically reasonable and technically feasible demands for cross-border capacity,

taking into account (in each case) security of gas supply.

<u>Condition 2.12: Independence of the Licensed Business</u>

2.12.1 <u>Independence</u>

The Licensee shall:

(a) unless it has already done so prior to this Condition coming into force, establish; and

(b) at all times thereafter maintain,

the full legal, managerial and operational independence of the Authorised Business from any Energy Business.

2.12.2 <u>Means of achieving such independence</u>

In order to facilitate its compliance with Condition 2.12.1, the Licensee shall ensure that:

(a) the Authorised Business is provided with such premises, systems, equipment, facilities, property, personnel, data and management resources as are necessary for its efficient and effective legal, managerial and operational independence;

(b) it meets the ownership unbundling requirement referred to in Article 8G of the Order by virtue of satisfying, at all times, each of the five tests set out in Articles 8G(2), 8G(4), 8G(6), 8G(12) and 8G(13) of the Order;

(c) subject to any financial supervisory rights of a Holding Company of the Licensee as provided for in the Licensee's financial plan, commercial and operational decisions relating to the operation, maintenance and development of the Licensee's Network are taken only by those persons who are employed by, and are engaged in the operation and management of, the Authorised Business;

(d) any Energy Business may not use or have access to:

(i) premises or parts of premises occupied by persons engaged in the management or operation of the Authorised Business;

(ii) systems for the recording, processing or storage of data to which persons engaged in the management or operation of the Authorised Business also have access;

(iii) commercially sensitive or confidential information relating to, or derived from, the Authorised Business;

(iv) equipment, facilities or property employed for the management or operation of the Authorised Business; or

(v) the services of any persons who are (whether or not as their principal occupation) engaged in the management or operation of the Authorised Business;

(e) where, in order to comply with this Condition any Energy Business ceases to be an affiliate or related undertaking of the Licensee, the employment of any employee of the Licensee is not transferred to that Energy Business by virtue of the arrangements under which the Energy Business ceases to be an affiliate or related undertaking of the Licensee; and

(f) in so as far as it is legally possible for it to do so, it prevents any person who has ceased to be employed by, or engaged in the activities of, the Authorised Business from being employed by, or engaged in the activities of, any Related Energy Business until the expiry of an appropriate time from the date on which they ceased to be engaged or employed by the Authorised Business.

2.12.3 Undertaking

The Licensee shall procure from the person that is the Ultimate Holding Company of the Licensee a legally enforceable undertaking in favour of the Licensee in a form specified by the Authority, that the Ultimate Holding Company will refrain from any action, and will procure that every subsidiary of the Ultimate Holding Company (other than the Licensee and its subsidiaries) will refrain from any action, which would be likely to cause the Licensee to be in contravention of this Condition. Such undertaking shall be obtained within 7 days after the date when this paragraph first becomes effective, or after the person in question becomes an Ultimate Holding Company (as the case may be) and shall remain in force for as long as the Licensee remains the holder of this Licence and the giver of the undertaking remains an Ultimate Holding Company of the Licensee.

2.12.4 Additional Definitions

In this Condition:

"Authorised Business"	means the Licensed Business, taken together with (if applicable) where the Licensee has so notified the Department and the Authority, any business of the Licensee (or of any affiliate or related undertaking of the Licensee) that is carrying out activities that require authorisation in accordance with Article 6(1)(a) of the Order or with section 5(1)(a) of the Gas Act;
"Energy Business"	means any business (other than the Authorised Business) that is involved in the generation or supply of electricity or in the production, purchase or supply of gas;
"Gas Act"	means the Gas Act 1986, as amended from time to time;
"Holding Company"	has the meaning given to it in section 1159 of the Companies Act 2006;
"Related Energy Business"	means any Energy Business which was an affiliate or related undertaking of the Licensee at any given time in the six months prior to the date the person ceased to be engaged or employed by the Authorised Business; and

"Ultimate Holding Company"	means any person which is a Holding Company of the Licensee, and which is not itself a subsidiary of another company.

Condition 2.13: Business Separation Compliance Plan

Condition not used

Condition 2.14 Transmission System Operator Designation

2.14.1 Transmission system owner and operator

The Licensee shall at all times, while it is the owner of the Network also act as the operator of the Network and shall be responsible for ensuring compliance with all the statutory and regulatory obligations which apply to the conveyance of gas through, and the operation, maintenance and development of, the Network.

2.14.2 Sub-Contracting - General

Subject to paragraph 2.14.3, the requirement in paragraph 2.14.1 shall not prevent the Licensee from making contractual arrangements under which a third party carries out any of the activities of conveying gas through any part of the Network or has contractual responsibility for operating, maintaining, and developing any part of the Network in accordance with the instructions of the Licensee.

2.14.3 Sub-Contracting – Terms and Conditions

Where the Licensee makes contractual arrangements under which a third party carries out any of the activities of conveying gas through any part of the Network or has contractual responsibility for operating, maintaining and developing any part of the Network in accordance with the instructions of the Licensee, the Licensee shall ensure that the contractual arrangements contain such terms and conditions which ensure:

(a) that any information relating to the Licensee or the Licensed Business which is provided by the Licensee to, or otherwise obtained by, the third party is:

(i) kept confidential and secure such that it is not disclosed to any other person; and

(ii) not used by that third party for any purpose other than for the purpose of fulfilling the contractual arrangements; and

(b) that the third party does not:

(i) prevent (whether by act or omission) the Licensee from complying with the Directive or its certification as a transmission system operator; or

(ii) cause (whether by act or omission) the Licensee to contravene the Directive or its certification as a transmission system operator.

2.14.4 Certification

The Licensee shall, where it is, in accordance with Article 3 of the Gas Regulation, certified by the Authority as a transmission system operator:

(a) use all reasonable endeavours to ensure that the certification ground on which the Licensee is certified continues to apply;

(b) as soon as practicable after it becomes aware of it, give notice (in writing) to the Authority of:

(i) any proposed or actual change in control of the Licensee;

(ii) any event, change in circumstance, or transaction undertaken (or proposed to be undertaken) by the Licensee or any affiliate or related undertaking of the Licensee, which:

(A) affects, or is likely to affect, the Licensee being certified as a transmission system operator on the certification ground on which it is certified; or

(B) requires, or is likely to require, a reassessment by the Authority of whether the certification ground on which it is certified continues to apply in respect of the Licensee.

2.14.5 Meaning of Control

For the purposes of Condition 2.14.4 there is a change in the control of the Licensee whenever a person obtains control of the Licensee who did not have control of the Licensee at the date that the Authority last certified, in accordance with Article 3 of the Gas Regulation, the Licensee as a transmission system operator; and sub-sections (2), (3) and (4) of Section 450 of the Corporation Tax Act 2010 shall apply for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, but at any time should no person have control then for the words "the greater part" wherever they occur in said sub-section (3) there shall be substituted the words "one-third or more”.

2.14.6 Definitions

In this Condition "certification ground" has the meaning given to it in Article 8L of the Order.

Condition 2.15: Competition and Effective Functioning of the Market

Publication of Information

2.15.1. The Licensee shall, in so far as it is consistent with its compliance with, and the efficient discharge of, its obligations under the Licence, publish such information as is held, available or known to it that will facilitate:

(a) effective competition between persons engaged in Northern Ireland in, or in commercial activities connected with, the conveyance, storage, and supply of gas; and

(b) the effective functioning of the gas industry in Northern Ireland.

Duty not to restrict, distort or prevent competition

2.15.2. In carrying on the Licensed Business and in complying with its obligations under the Order, the Energy Order, the Gas Regulation and the Licence, the Licensee shall not restrict, distort or prevent competition in the conveyance, storage, and supply of gas.

Definitions

2.15.3. In this Condition:

Gas Regulation	means Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks.

Condition 2.16: Reasonable and Prudent Operator

2.16.1. The Licensee shall perform its functions, acting as a Reasonable and Prudent Operator, with respect to the Economic Network in such manner as it considers is best designed to secure the objectives of:-

(a) maintaining the capacity and functionality of the Economic Network; and

(b) optimising the efficiency, reliability, availability and operational life of the Economic Network.

"Reasonable and Prudent Operator" or "RPO" means a person acting in good faith with the intention of performing its obligations under the Licence and who in so doing and in the general conduct of its undertaking, exercises that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be exercised by a skilled and experienced operator complying with applicable law and engaged in the same type of undertaking and under the same or similar circumstances and conditions.

Condition 2.17: Single System Operation Arrangements

Introduction

2.17.1 The purpose of this Condition 2.17 is to streamline the interaction and communication that is required between gas suppliers and each HP Conveyance Licensee, through the common provision by all HP Conveyance Licensees of their services and systems (which common provision shall be referred to as "**Single System Operation**") that facilitates the achievement of the following objectives:

(a) development and administration of gas transportation services in Northern Ireland in an efficient and coordinated manner;

(b) the identification and implementation of cost efficiencies by HP Conveyance Licensees to be obtained from Single System Operation;

(c) the implementation and maintenance of a Single Network Code;

(d) the provision of a single point and system of contact for gas suppliers, including through the use of a single IT interface, for all administration services relating to Single System Operation; and

(e) the accurate and transparent allocation, and robust monitoring and reporting, of costs associated with the implementation and operation of Single System Operation.

Arrangements for Single System Operation

2.17.2 The Licensee shall take all reasonable steps to establish, implement, maintain in force, and comply with arrangements which ensure delivery of Single System Operation (by the Licensee and every other HP Conveyance Licensee) to any User using any part of the HP System of the HP Conveyance Licensees ("**Single System Operation Arrangements**").

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; 2.17.3and 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:

(i) the terms of the transportation arrangements established by the Licensee, and every other HP Gas Conveyance Licensee, in respect of the conveyance of gas through any part of the HP System; and

(ii) the procedures whereby modifications to the Single Network Code may be proposed, considered and implemented or rejected (**"single network code modification procedures**");

(c) the establishment of a governing committee that shall provide oversight and governance and have responsibility for the delivery and operation of the Single System Operation Arrangements (the **Governing Committee**);

(d) the establishment of a dedicated team (the **SSO Team**) to:

(i) carry out the day-to-day activities involved in delivering the Single System Operation Arrangements; (this does not include Control Room Services and physical pipeline operation); and

(ii) provide secretarial and administration services in respect of the Single Network Code including, without limitation, the administration of the single network code modifications procedures;

(e) the implementation, and subsequent maintenance and operation, of an information technology system to store, retrieve, transmit and manipulate data required or used for the purposes of providing the Single System Operation Arrangements (the **SSO IT System**);

(f) the use only of the SSO IT System, and no other gas transportation information technology system, in the provision of the Single System Operation Arrangements save that it is acknowledged that the SSO IT system will need to interface with any other external IT system required to deliver Single System Operations (e.g. PRISMA); and

(g) any other matter relating to the common provision of Single System Operation.:

(i) which, following agreement with the Licensee, is specified in a direction issued by the Authority, to the Licensee under this Condition 2.17 and to every other HP Conveyance Licensee under the equivalent condition in the Conveyance Licence held by that licensee; or

(ii) in respect of which the Authority has given its consent following a joint request made to it by the Licensee and every other HP Conveyance Licensee.

SSO Agreement

2.17.4 The Licensee shall, in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to prepare and, by no later than 6 weeks prior to 1st October 2017 or by such later date as may be directed by the Authority, submit to the Authority for its approval a SSO Agreement which meets the requirements of this Condition.

2.17.5 The SSO Agreement shall:

(a) set out all of the terms that govern the relationship between the Licensee and every other HP Conveyance Licensee (each a **Party**) to act in conjunction and co-operation with each other to establish, implement and comply with the Single System Operation Arrangements; and

(b) include, in particular, terms that provide for:

(i) the procedures to be adopted by the Parties, and the rights, obligations and principal tasks of each Party, in implementing, operating and maintaining the Single System Operation Arrangements;

(ii) the level of resources, including financial and personnel resources, to be contributed by each Party to the implementation, operation and maintenance of the Single System Operation Arrangements;

(iii) the establishment, constitution (by reference to the seniority and number of employees of each Party), and role and responsibilities, of the Governing Committee;

(iv) the establishment, constitution (by reference to the seniority and number of employees of each Party), role and responsibilities of the SSO Team;

(v) the procedures to be adopted by the Parties for:

(A) processing and resolving any dispute between them in respect of their respective rights, obligations and principal tasks in implementing, operating and maintaining the Single System Operation Arrangements;

(B) amending the SSO Agreement, including if required to reflect the resolution of any such dispute; and

(C) unresolved disputes to be referred to an appropriate third party for determination, which third party may in respect of certain types of dispute be the Authority;

(vi) any other matter which may be specified in a direction issued following agreement with the Licensee or consent given by the Authority to the Licensee under this Condition 2.17 and to every other HP Conveyance Licensee under the equivalent condition in the Conveyance Licence held by that licensee.

2.17.6 The Authority may within 25 Business Days of receiving an SSO Agreement for approval pursuant to paragraph 2.17.5:

(a) approve the SSO Agreement as submitted; or

(b) give notice to the Licensee and every other HP Conveyance Licensee that in its opinion the SSO Agreement does not meet the requirements of this Condition 2.17 which notice shall specify the reasons for such opinion.

2.17.7 Where the Authority gives notice under paragraph 2.17.6(b), it may require the Licensee to make, acting in conjunction and co-operation with every other HP Conveyance Licensee, such revisions as are in the Authority's opinion necessary or expedient in order for the SSO Agreement to meet the requirements of this Condition 2.17.

2.17.8 The Licensee shall not enter into an SSO Agreement which has not been approved by the Authority.

2.17.9 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to:

(a) vary the SSO Agreement as may be required to:

(i) comply with any notice given by the Authority under paragraph 2.17.7;

(ii) reflect any direction issued or consent given by the Authority under paragraph 2.17.5(b)(vi);

(b) take all reasonable steps to reach agreement on variations proposed by the different Parties to the SSO;

(c) periodically conduct a review of the SSO Agreement to ensure that it continues to be fit for the purpose of meeting the requirements of this Condition 2.17;

(d) submit a copy of the report of the review conducted in accordance with sub-paragraph (b) to the Authority as soon as reasonably practicable after the review; and

(e) vary the SSO Agreement as may be required in light of any outcome of the review.

2.17.10 The Licensee shall not vary, or agree to vary, the SSO Agreement approved by the Authority without the Authority's approval to the variation.

SSO Team

2.17.11 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to establish an operational SSO Team by no later than 1 October 2017 or at such later date as may be directed by the Authority.

SSO IT System

2.17.12 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to ensure that:

(a) a SSO IT System is implemented by no later than 1 October 2017 or at such later date as may be directed by the Authority; and

(b) the SSO IT System is capable of handling, and delivering the arrangements (relating to data storage, manipulation, exchange and retrieval) set out in the Single Network Code.

Single Network Code

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.

Reports

2.17.14 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to submit, as soon as reasonably practicable after 31 December and not later than six months after the gas year end, a report providing details of the performance of the Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, in implementing, maintaining in force and complying with the Single System Operation Arrangements made pursuant to paragraph 2.17.2, in that calendar year.

2.17.15 Form and content of the report required by paragraph 2.17.14 to be as so specified by the Authority.

<u>Interpretation and Definitions</u>

2.17.16 Where any provision in this Condition requires the Licensee to act *'in conjunction and co-operation with every other HP Conveyance Licensee'* in the fulfilment of an obligation, the Licensee shall:

(a) use all reasonable endeavours to work together with every other HP Conveyance Licensee to fulfil the relevant obligation;

(b) provide such assistance as is reasonably required by each other HP Conveyance Licensee such that the relevant obligation may be fulfilled; and

(c) to the extent the Licensee is not reasonably capable of fulfilling the relevant obligation without the assistance of any or every other HP Conveyance Licensee:

(i) ensure that the SSO Agreement requires the HP Conveyance Licensee to provide the assistance in question, and, where it does not, seek to amend the SSO Agreement so that it does include such a requirement; and

(ii) exercise all rights available to it in order to obtain the assistance in question.

2.17.17 In this Condition:

Governing Committee	has the meaning given to it in paragraph 2.17.3(c).
HP Conveyance Licensee	means any person holding a licence granted, or treated as granted, under Article 8(1)(a) of the Gas (Northern Ireland) Order and authorising the holder to convey gas through high pressure pipe-lines.

HP System	means the total system that comprises all of the systems of high pressure gas pipe-lines in Northern Ireland through which gas is conveyed by HP Conveyance Licensees.
Network	has the meaning given to it in Condition 1.
Party	has the meaning given to it in paragraph 2.17.5.
Single System Operation	has the meaning given to it in paragraph 2.17.1 and does not include control room services and physical pipeline operation
SSO Agreement	has the meaning given to it in paragraph 2.17.3(a).
SSO IT System	has the meaning given to it in paragraph 2.17.3(e).
SSO Team	has the meaning given to it in paragraph 2.17.3(d).
Single Network Code	has the meaning given to it in paragraph 2.4D.1(a) of Condition 2.4D of the Licence.
Single System Operation Arrangements	has the meaning given to it in paragraph 2.17.2.
User	has the meaning given to it in paragraph 2.4D.14 of Condition 2.4D of the Licence.

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:

"Activation Test"	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;
"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 Pipe-line 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;
"CMP Methodology Statement"	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;
"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;

"Congestion Management Procedures"	means procedures in relation to: (a) the surrender, by any person, of capacity held by them in respect of any IP Entry Point; (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: (i) Long Term Use or Lose it Rules; and/or (ii) Firm Day Ahead Use it or Lose it Rules;
“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	means in respect of a given time the amount of additional capacity

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 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;
"Firm Day Ahead Use it or Lose it Rules"	means the requirements of point 2.2.3 of Annex 1 to Regulation (EC) No. 715/2009 (as amended);
"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	means the statement published by the Licensee on its website

Charging Methodology Statement”	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;
"GB Uniform Network Code"	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;
“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;
"HP Conveyance Licensee"	has the meaning given to it in Condition 2.17 (Single System Operation Arrangements) of the Licence;
“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;
"Interconnection Point"	has the meaning given to it in the Network Code;
"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;
"Long Term Use it or Lose it Rules"	means the requirements of point 2.2.5 of Annex 1 to Regulation (EC) No. 715/2009 (as amended);
"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;
"Moffat Non-IP Entry Point"	has the meaning given to it in the Network Code;
"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"	means: (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 (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;
"PS Notified Debt"	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;

"PS Transmission Payments"	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); 2A.2.6.4 (Reconciliation Payments); and 2A.2.5.2(c) (Auxiliary Payments) under each Designated Pipe-Line Operator's Respective Licence;
"Quantity Figures"	shall have the meaning ascribed to that term in Condition 2A.2.3.1(b);
"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;
“Separate Business”	means each of the following businesses of the Licensee (as appropriate): (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; (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 (iii) the supply of gas pursuant to a licence granted in accordance with Article 8(1)(c) of the Order each taken separately from one another and from any other business of the Licensee or any affiliate or related undertaking of the Licensee;
“Stranraer Exit Point”	has the meaning given to it in the Network Code;
“Stranraer Shipper”	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;
“Supply Business”	means, where applicable, the Separate Business of the Licensee which carries on the business of the supply of gas;
“Termination Payments”	means any amount payable on the termination of a Gas Supplier’s Accession Agreement under the terms of the Network Code;

“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;
“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.1.2 Interpretation

In Part 2A all capitalised terms shall have the meaning ascribed to them in such part, notwithstanding any other definition of any such term elsewhere in the Licence. Capitalised terms within Part 2A which are not defined within such part shall have the meaning ascribed to them elsewhere in the Licence.

2A.1.3 Provision of Information

Nothing in Part 2A shall require the Licensee to produce any information or provide any document to any other party which the Licensee could not be compelled to produce or provide in any civil proceedings.

2A.1.4 Units of Measurement

For the avoidance of doubt the Licensee shall invoice for any Postalised Charges in the unit of Kwh or Kwh/day.

Condition 2A.2 – Postalisation Charges

2A.2.1 Charges on the Designated Network

2A.2.1.1 In respect of the Gas Year commencing on or after the Designation Date and each Gas Year or part of a Gas Year thereafter for so long as and to the extent that a Designation Order is and remains in force in respect of all or part of the network, the Licensee shall be subject to the provisions of this Part 2A.

2A.2.1.2 The Licensee shall require all of its Gas Suppliers to make all payments in settlement of PS Transmission Payments, Termination Payments and all Recoveries into the PoT Account. For the avoidance of doubt, PS Transmission Payments shall include any relevant Termination Payments payable in respect of PS Transmission Payments relating to the Gas Year in which termination occurs.

2A.2.1.3 The Licensee shall pay all sums which it receives directly from, or on behalf of, any of its Gas Suppliers in respect of PS Transmission Payments and Recoveries into the PoT Account.

2A.2.1.4 Where the Licensee has a Distribution Business and/or a Supply Business it shall for the purposes of this Condition 2A deal with such Distribution Business and/or Supply Business as if each such Separate Business were a third party Gas Supplier, including but not limited to providing or procuring forecasts relating to each such Separate Business, issuing invoices to each such Separate Business relating to PS Transmission Payments and maintaining appropriate records of all dealings with each such Separate Business.

2A.2.1.5 As used in this Condition 2A.2 "Day" and "PS Code Charges" have the respective meanings given in the Network Code and / or (as the context requires) in the Network Codes of the other Designated Pipe-line Operators.

2A.2.1.6 The Licensee shall offer:

(a) the VRF Services referred to in Conditions numbered 2A.2.1.8 to 2A.2.1.10 (the "VRF Conditions"); and

(b) the OS Services referred to in Condition numbered 2A.2.1.11 to 2A.2.1.20 (the "OS Conditions").

2A.2.1.7 The Licensee may charge each of its Gas Suppliers an Entry Overrun Charge' and/or a 'Exit Ratchet Charge' as provided for under the terms of the Network Code.

2A.2.1.8 The Licensee shall charge each of its Gas Suppliers to whom it provides the VRF Services the following amounts, namely:

(a) in respect of each provision of the VRF Service, the charge for such provision which is applicable at the relevant time, as determined pursuant to the Gas Transmission Charging Methodology Statement approved by the Authority from time to time;

(b) no commodity based charge shall be payable by a Gas Supplier in respect of any gas which is allocated to that Gas Supplier at any Exit Point where the allocation is made pursuant to a utilisation of the VRF Service.

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.

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.

2A.2.1.10 Nothing in this Licence shall prejudice the right of the Licensee to impose on and recover from any Gas Supplier to whom it provides the VRF Services or OS Services any PS Code Charges which are payable by that Gas Supplier in respect of the VRF Services or OS Services pursuant to the Network Code.

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.2.1.12 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**).

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.2.1.14 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.2.1.15 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.2.1.16 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.2.1.17 The charges referred to in Condition 2A.2.1.14(c) and 2A.2.1.16 shall, in respect of a Gas Year, not be subject to reconciliation or other adjustment on any ground.

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.2.1.19 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.2.1.20 In applying or giving effect to the Conditions in this Part 2A (but without limiting Condition 2A.2.1.7 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.2.1.21 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 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 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.2.3 Duty to provide forecasts and information relating to the calculation of the Postalised Charges

2A.2.3.1 Forecasts and information relating to following Gas Years

(a) For the purpose of Condition 2A.2.5, the Licensee shall use its reasonable endeavours, in each Gas Year, to provide the following forecasts and information in respect of the next Gas Year ("GY") and each of the following four Gas Years inclusive ("GY+1" to "GY+4" respectively) (the "Forecast Figures") to the Authority no later than the fifteenth Business Day in March:

(i) the total of all Forecast Supplier Quantities in a Gas Year (the "Forecast Annual Quantity") together with:

(aa) an explanation of the reasons why any Forecast Annual Quantity in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the Forecast Annual Quantity in respect of GY;

(bb) a breakdown of the Forecast Annual Quantities in respect of each Exit Point in each relevant Gas Year; and

(cc) a breakdown showing the proportions of the Forecast Annual Quantity and aggregated Forecast Supplier Quantities attributable to each Quarter of GY;

(ii) the assumptions on which the figures provided pursuant to Condition 2A.2.3.1(a)(i) were based:

(aa) which for power stations shall include but not be limited to load factors, generation output and efficiency;

(bb) which for Gas Suppliers to distribution networks shall include but not be limited to numbers of consumers and average forecast quantity per consumer;

and in either case shall include an explanation of any material difference between such forecasts for the year GY and the forecast in respect of the then current Gas Year; and

(iii) for each Capacity Product a breakdown in respect of each Entry Point and Exit Point of the Initial Firm Capacity in respect of GY and a forecast of Initial Firm Capacity in respect of GY+1 to GY+4 inclusive, together, with:.

(aa) An explanation of the reasons why any Initial Firm Capacity in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the Initial Firm Capacity in respect of GY;

(bb) For each Non Annual Capacity Product a breakdown of the Initial Firm Capacity attributable to each Quarter of GY;

(iv) the assumptions on which the figures provided pursuant to Condition 2A.2.3.1(a)(iii) were based:

(b) The Licensee shall use its reasonable endeavours to ensure that all Forecast Figures supplied to the Authority in accordance with Condition 2A.2.3.1(a) are as accurate as possible having regard to the information and forecasts available to the Licensee including that provided by its Gas Suppliers and shall provide to the Authority, with the figures provided under Condition 2A.2.3.1(a)(i) (the "Quantity Figures"), and 2A.2.3.1(a)(iii) (the "Capacity Figures"), a full explanation as to how they have been calculated. In the event that any such Gas Supplier has failed to provide such information prior to the date specified by 2A.2.3.1(a), the Licensee shall ensure that the Quantity Figures and the Capacity Figures are as accurate as possible having regard to the information and forecasts available to the Licensee and shall inform the Authority which Gas Suppliers have failed to provide the required information.

(c) The Licensee shall promptly provide to the Authority such further information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires, in relation to the Quantity Figures and the Capacity Figures.

(d) The Licensee may fulfil its obligations under this Condition 2A.2.3.1 by providing the relevant information in a joint report with one or more other Designated Pipe-line Operators which shall comply with this Condition

2A.2.3.1 in respect of the Licensee and each such Designated Pipe-line Operator.

(e) If, in the Authority's reasonable opinion, having regard to information and explanations provided by the Licensee and representations made on or before the fourth Business Day in April by parties which the Authority reasonably considers to have sufficient interest in making such representations (such parties to include the Licensee):

- a Forecast Annual Quantity figure does not represent an accurate estimate taking into proper account all relevant information; and/or
- a Initial Firm Capacity figure does not represent an accurate estimate taking into proper account all relevant information; and/or
- the assumptions provided in accordance with Condition 2A.2.3.1(a)(ii) or 2A.2.3.1(a)(iv) are inappropriate;

the Authority may by notice to the Licensee given on or before the fifth Business Day in April of the relevant Gas Year modify the Forecast Annual Quantity and/or the Initial Firm Capacity figure, such notice to contain an explanation of the reasons for such modification. The modified figure set out in any such notice shall be substituted for and for all purposes treated as the Forecast Annual Quantity and/or the Initial Firm Capacity figure submitted by the Licensee.

(f) The Licensee shall, not later than the fifteenth Business Day in April submit the Forecast Figures (adjusted to reflect any modification made by the Authority pursuant to Condition 2A.2.3.1(e)) to the PSA for calculation of the Forecast Postalised Charges in accordance with the PSA Agreement.

(g) If the Licensee fails to provide the Forecast Figures in accordance with, and/or by the date specified in, Condition 2A.2.3.1(a) the Authority shall be entitled on or after the fifth Business Day in April by written notice to the Licensee and the PSA to determine the Forecast Figures. Forecast Figures so determined may at the Authority's discretion either:

(i) reflect the Actual Figures in respect of the previous Gas Year; or

(ii) be such other figures as the Authority reasonably deems appropriate.

(h) Not later than the fifteenth Business Day in April, the Licensee shall provide the approved Gas Product Multipliers and Time Factors Table to the PSA once it has received the updated Table from the Authority.

2A.2.3.2 Information relating to previous Gas Year

(a) In each Gas Year commencing on or after 1st October 2005, for the purpose of Condition 2A.2.6, the Licensee shall submit to the Authority and to the PSA, in each case no later than the tenth Business Day in November, the following information (the "Actual Figures") for the immediately preceding Gas Year:

(i) the Annual Exit Quantity in that Gas Year, together with a breakdown of that figure by Exit Point;

(ii) the Actual Firm Capacity by Exit Point; and

(iii) the Actual Firm Capacity by Entry Point and by product.

and with the Actual Figures, the Licensee shall provide the Authority and each of the other Designated Pipe-Line Operators with any further information required under any other Condition of this Licence.

(b) The Licensee shall provide to the Authority such further information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires in connection with its consideration of any differences between the Forecast Figures and the corresponding Actual Figures for the relevant Gas Year.

(c) If the Licensee fails to provide the Actual Figures in accordance with, and/or by the date specified in, Condition 2A.2.3.2(a) the Authority shall be entitled to determine the Actual Figures as it reasonably deems appropriate and shall inform the Licensee and the PSA by notice of the Actual Figures so determined.

2A.2.3.3 Provision of quarterly information

(a) In respect of each Gas Year commencing on or after the Designation Date, the Licensee shall no later than 10 Business Days after the end of each Quarter in a Gas Year provide:

(i) the Authority; and

(ii) all of the other Designated Pipe-line Operators;

with a breakdown of the Quarterly Exit Quantities by Exit Point for the relevant Quarter and any other information required to be provided by the Licensee on a Quarterly basis under this Licence,

with a breakdown of the Quarterly Capacity Quantities by each Entry Point and by each Exit Point for the relevant Quarter.

(b) At the same time as the Licensee provides the figures required under Condition 2A.2.3.3(a), the Licensee shall confirm to the Authority, the other Designated Pipe-line Operators and each of the PS Gas Suppliers whether it is aware of or has reason to believe that the Forecast Figures provided in accordance with Condition 2A.2.3.1(a) for the remainder of the current or any future Gas Years will or may be materially inaccurate. If the Licensee suspects such material inaccuracy, it shall provide details of the extent of such inaccuracy, and its reasons for such belief.

(c) The Licensee may fulfil its obligations under this Condition 2A.2.3.3, by submitting, together with one or more other Designated Pipe-line Operators, a joint report which shall comply with this Condition 2A.2.3.3.

(d) No later than [10] Business Days after the end of each Quarter in a Gas Year the Licensee shall provide to each PS Gas Supplier details of:

(i) the aggregate sum of all Quarterly Exit Quantities (whether in the form of a joint report or otherwise) in respect of each Exit Point on the Designated Network; and

(ii) the aggregate sum of all Quarterly Capacity Quantities (whether in the form of a joint report or otherwise) in respect of each entry Point and each Exit Point on the Designated Network.

2A.2.4 Duty to co-operate with the PSA and other Designated Pipe-line Operators

The Licensee shall co-operate with the PSA and other Designated Pipe-line Operators with a view to facilitating the PSA in complying with its obligations under the PSA Agreement and to facilitating the other Designated Pipe-line Operators in complying with their obligations under Conditions 2A.2 and 2A.4 of their Respective Licences.

2A.2.5 Forecast Postalised Charges

2A.2.5.1 The Forecast Postalised Charges shall be calculated by the PSA and shall comprise a Forecast Postalised Commodity Charge calculated in accordance with Condition 2A.2.5.2 and a Forecast Postalised Annual Capacity Charge calculated in accordance with Condition 2A.2.5.3(b) and a Forecast Postalised Non Annual Capacity Charge calculated in accordance with Condition 2A.2.5.3(c).

For the purpose of this Condition 2A.2.5, Capacity Products include those set out in the Gas Product Multipliers and Time Factors Table.

2A.2.5.2 Forecast Postalised Commodity Charge

(a) Subject to Conditions 2A.2.5.6, 2A.2.5.7, the Forecast Postalised Commodity Charge to be charged in respect of Gas Year "t" to each Gas Supplier in respect of each kWh of gas allocated to each such Gas Supplier under the Network Code in respect of each Exit Point during that Gas Year shall be calculated in accordance with the following formula:

$$FPComC_t = \frac{(PSFRR_t * \text{Commodity Percentage})}{(\text{PS Forecast Annual Quantity}_t)}$$

where:

"$FPComC_t$" means the Forecast Postalised Commodity Charge for Gas Year "t";

"Commodity Percentage" means 25% up to 30 September 2020, then 15% from 1 October 2020 and 5% from 1 October 2021.

"PS Forecast Annual Quantity$_t$" means:

the sum of the Forecast Annual Quantities (as that term is defined in each Designated Pipe-line Operator's Respective Licence) in respect of all PS Gas Suppliers for the relevant Gas Year "t"; and

"PSFRR$_t$" means the PS Forecast Required Revenue for Gas Year "t".

(b) A Monthly Postalised Commodity Payment shall be calculated in accordance with the following formula in respect of gas allocated to each Gas Supplier for Exit in respect of the previous month, the components of which shall be applied in respect of month "m" in Gas Year "t" and shall be payable by a Gas Supplier "s":

$$MPComP_{smt} = FPComC_t \times MEQ_{smt}$$

where

$MPComP_{smt}$ means the Monthly Postalised Exit Commodity Payment payable by a Gas Supplier "s" in respect of month "m" of Gas Year "t";

$FPComC_t$ means the Forecast Postalised Commodity Charge applicable in respect of Gas Year "t" in accordance with 2A.2.5.2(a); and

MEQ_{smt} means the Exit Quantity allocated to Gas Supplier "s" in respect of an Exit Point and in respect of month "m" of Gas year "t".

(c) If the aggregate of the Monthly Postalised Commodity Payments invoiced or to be invoiced to a Gas Supplier "s" in respect of a Gas Year "t" (ΣMPComPst) is less than the product of $FPComC_t$ multiplied by the Minimum Quantity Value in respect of Gas Year "t" for Gas Supplier "s", the Licensee shall invoice to Gas Supplier "s" in accordance with the provisions of this Licence, an Auxiliary Payment (referred to as Aux_{st}) calculated by the Licensee as follows:

$$Aux_{st} = (FPComC_t \times \text{Minimum Quantity Values}_{t}) - \Sigma MPComP_{st}$$

Such Auxiliary Payments shall be included in the invoice for PS Transmission Payments applicable for the last month in Gas Year "t".

(d) The Forecast Postalised Commodity Charge invoiced to a Gas Supplier "s" in respect of a Gas Year "t" or month "m" of Gas Year "t" calculated in accordance with Condition 2A.2.5.2 (a) shall be rounded to seven 7 decimal places.

2A.2.5.3 Forecast Postalised Annual Capacity Charge

(a) The Total Weighted Forecast Capacity bookings for year "t" for all Firm Capacity held by Gas Suppliers for all time periods in Gas Year "t", shall be calculated according to the following formula:

$$TWFC_t = \sum[FQ_{pdt} \text{ x } w_{pdt}]$$

Where:

"$TWFC_t$" is the Total Weighted Forecast Capacity bookings for Gas Year "t"

"FQ_{pdt}" is the total forecast capacity booking for Capacity Product "p" in time period "d" of Gas Year "t"

"w_{pdt}" is the product weighting for Capacity Product "p" listed in the Gas Product Multipliers and Time Factors Table in time period "d" of Gas Year "t", in accordance with the Gas Product Multipliers and Time Factors Table.

(b) Subject to Conditions 2A2.5.6, 2A.2.5.7, the Forecast Postalised Annual Capacity Charge to be charged in respect of each kWh/day of Firm Annual Capacity at each Entry Point and Exit Point in respect of Gas Year "t" shall be calculated in accordance with the following formula:

$$FPACapC_t = \frac{PSFRR_t * \text{Capacity Percentage} * PMA}{TWFC_t}$$

where:

"$FPACapC_t$" means the Forecast Postalised Annual Capacity Charge in Gas Year "t"; and

"Capacity Percentage" means 75% until 30 September 2020, then 85% from 1 October 2020 and 95% from 1 October 2021.

"PMA" means the annual product multiplier and/or seasonal factor as appropriate for Gas Year t, in accordance with the "Gas Product Multipliers and Time Factors Table".

"$PSFRR_t$ " means the PS Forecast Required Revenue for Gas Year "t".

"TWFCt" means the Total Weighted Forecast Capacity bookings for Gas Year "t" as calculated in Condition 2A.2.5.3(a).

(c) The Forecast Non-Annual Postalised Capacity Charge to be charged in respect of each kWh/day of Firm Non-Annual Capacity in respect of Gas Year "t" for each NonAnnual Capacity Product "p" shall be calculated in accordance with the following formula:

$$FPNACapC_{pt} = FPACapC_t \times PM_{pt}$$

"$FPNACapC_{pt}$" means the Forecast Postalised Non Annual Capacity Charge in Gas Year "t" for Capacity Product "p"

"$FPACapC_t$" means the Forecast Postalised Annual Capacity Charge in Gas Year "t"; and

"PM_{pt}" means the product multiplier and/or seasonal factor as appropriate for Capacity Product "p" for Gas Year "t", in accordance with the Gas Product Multipliers and Time Factors Table.

This formula shall not apply to VRF Services, the charge for which shall be determined pursuant to the Gas Transmission Charging Methodology Statement as set out in Condition 2A.2.1.8.

(d) In the event that the Auction Price for the corresponding Capacity Product at the corresponding time period is greater than the Forecast Postalised Annual Capacity Charge or the Forecast Postalised Non-Annual Capacity Charge calculated in accordance with paragraphs (b) and (c) respectively, the relevant auction premium shall be calculated as follows.

The Auction Premium at the auction conducted in Gas Year "a" for each Capacity Product "p" in Gas Year "t" shall be defined as:

$$Pre_{apt} = Auc_{apt} - FPCapC_{apt}$$

"Pre_{apt}" means the Auction Premium for product "p" in Gas Year "t"

"Auc_{apt}" means the Auction Price for Capacity Product "p" in Gas Year "t"

"$FPCapC_{pt}$" means the relevant Forecast Postalised Annual Capacity Charge or Forecast Postalised Non-Annual Capacity Charge for Capacity Product "p" in Gas Year "t";

2A.2.5.4 Monthly invoices to Shippers for capacity products

(a) For the purposes of this section, the Forecast Postalised Capacity Charges invoiced to a Gas Supplier "s" in respect of a Gas Year "t" or month "m" of Gas Year "t" for each Capacity Product "p" shall be rounded to seven [7] decimal places.

(b) The Monthly Annual Postalised Capacity Payment for Gas Supplier "s" for Gas Year "t" shall be calculated as:

$$APCP_{st} = \frac{\sum_{a=1}^{15}\{(FPACapC_{apt} + Pre_{apt}) \times (Q_{stpa})\}}{12}$$

Where:

$APCP_{st}$ is the Annual Postalised Capacity Payment for Gas Supplier "s" for Gas Year "t"

$FPACapC_{apt}$ means the Forecast Postalised Annual Capacity Charge for Annual Capacity Product "p" in Gas Year "t" in the auction in Gas Year "a";

Pre_{apt} means the Auction Premium for Capacity Product "p" in Gas Year "t" in the auction in Gas Year "a";

Q_{stpa} is the quantity of capacity allocated to Gas Supplier "s" for product "p" to be used in Gas Year "t" that was bought in the auction in Gas Year "a".

(c) For each Non Annual Capacity Product "p", a Monthly Capacity Payment (Non – Annual Capacity) amount exclusive of VAT and termination payments shall be calculated for each Gas Supplier for each Entry Point according to the following formula:

$MPNACapP_{psm} = (FPNACapC_t + Pre_{pmt}) \times NAC_{psmt}$

Where:

$MPNACapP_{ps}$ means the Monthly Postalised Capacity Payment payable by a Gas Supplier "s" in respect of month "m" of Gas Year "t". This payment shall be calculated separately for the entry capacity booked at each Entry Point;

$FPNACapC_t$ means the Forecast Postalised Non Annual Capacity Charge applicable in respect of Gas Year "t" in accordance with Conditions 2A.2.5.3(c) and 2A.2.5.3(d);

NAC_{psmt} means the Firm Non- Annual Capacity for Capacity Product "p" held by a Gas Supplier "s" in respect of month "m" of Gas Year "t"

Pre_{pmt} means the Auction Premium for Capacity Product "p" in month "m" of Gas Year "t". For the avoidance of doubt, these premia may refer to auctions conducted in Gas Years prior to Gas Year "t", as well as during Gas Year "t", if they relates to bookings for capacity in Gas Year "t".

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(b) and 2A.2.5.4(c) above".

(b) The total invoice amount for Gas Supplier "s" in month "m" of year "t" shall be calculated as follows:

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

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 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.2.5.6 Emergency Events

If at any point either within the Gas year or in the period from the date of provision of the Forecast Figures for the next Gas Year referred to in Condition 2A.2.3.1 to the start of the next Gas Year an unforeseen event occurs which the Authority believes is likely materially to affect the Forecast Figures for that Gas Year or the next Gas Year the Authority may at its discretion by notice to the Licensee and the PSA adjust the Forecast Figures in respect of such Gas Year to reflect the effect of such event. The Forecast Postalised Charges for such Gas Year shall be calculated by the PSA in accordance with such adjusted figures.

2A.2.5.7 Amendment to Forecast Postalised Charges

If at any date during any Gas Year ("Relevant Charge Date") the Department issues a Designation Order, or if any Designated Pipe-line Operator ceases to be a Designated Pipe-line Operator, unless the Authority determines otherwise:

(a) the Forecast Postalised Charges shall be recalculated with effect from the Relevant Charge Date; and

(b) the Year-End Postalised Charges shall be calculated in respect of the period up to the Relevant Charge Date and the period following the Relevant Charge Date

in each case as determined by the Authority so that an appropriate proportion only of the Forecast Required Revenue of the relevant Designated Pipe-line Operator (as defined in that Designated Pipe-line Operator's Respective Licence) shall be taken into account before and after the Relevant Charge Date and such adjustments as the Authority considers appropriate shall be made to the PS Forecast Annual Quantity, PS Annual Exit Quantity, PS Forecast Required Revenue, and Total Weighted Year End Capacity bookings, and notified to the Designated Pipe-Line Operators and the PSA.

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.

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":

$$YEPComC_t = \frac{(PSARR_t - T_t) * \text{Commodity Percentage})}{(\text{PS Annual Exit Quantity}_t)}$$

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"

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.2.6.3 Year-End Postalised Capacity Charges

(a) The Total Weighted Year-End Capacity bookings for Gas Year "t" for all Firm Capacity products "p" held by Gas Suppliers listed in the Gas Product Multipliers and Time Factors Table for all time periods "d" in Gas Year "t", shall be calculated according to the following formula:

$$TWC_t = \sum[YEQ_{pdt} \text{ x } w_{pdt}]$$

Where:

"TWC_t" is the Total Weighted Year-End Capacity bookings for Gas Year "t"

"YEQ_{pdt}" is the total outturn year-end capacity booking for Capacity Product "p" in time period "d" of Gas Year "t"

"w_{pdt}" is the product weighting for Capacity Product "p" in time period "d" of Gas Year "t" in accordance with the Gas Product Multipliers and Time Factors Table.

(b) The Year-End Postalised Annual Capacity Charge to be charged to each Gas Supplier in respect of each kWh/day of Firm Annual Capacity in respect of a Gas Year shall be calculated in accordance with the following formula:

$$YPACapC_t = \frac{PSARR_t * \text{Capacity Percentage} * PM_A}{TWC_t}$$

where:

"$YPACapC_t$" means the Year-End Postalised Annual Capacity Charge in Gas Year "t".

"PM_A" means the annual product multiplier and/or seasonal factor as appropriate for Gas Year "t", in accordance with the Gas Product Multipliers and Time Factors Table.

"$PSARR_t$ " means the PS Actual Required Revenue for Gas Year "t".

"TWC_t" means the Total Weighted Year End Capacity bookings for Gas Year "t" as calculated in paragraph 2A.2.6.3(a).

(c) The Year-End Postalised Non Annual Capacity Charge to be charged to each Gas Supplier in respect of each kWh/day of Firm Capacity at each Entry Point in respect of time period "d" in Gas Year "t" for each Capacity Product "p" shall be calculated in accordance with the following formula:

$$YPNACapC_{ptd} = YPACapC_t \text{ x } PM_{pt}$$

"$YPNACapC_{pdt}$" means the Year-End Postalised Non-Annual Capacity Charge in time period "d" of Gas Year "t" for Capacity Product "p"

"$YPACapC_t$" means the Year-End Postalised Annual Capacity Charge in Year t; and

"PM_{pdt}" means the product multiplier and/or seasonal factor as appropriate for Capacity Product "p" for time period "d" of Gas Year "t", in accordance with the Gas Product Multipliers and Time Factors Table.

2A.2.6.4 Reconciliation Payments

(a) For Firm Annual Capacity , pertaining to gas offtaken in Gas Year "t", there shall be calculated a Reconciliation Unit Charge as follows:

(i) $RUCA_{pat} = YPACapC_{t} - (FPACapC_{pt} + \sum Pre_{apt})$

Where:

$RUCA_{pat}$ is the Reconciliation Unit Charge for Firm Annual Capacity pertaining to gas offtaken in Gas Year "t", including for the auctions held in Gas Year "a" in respect of capacity during Gas Year "t"; $FPACapC_{pt}$ means the Forecast Postalised Annual Capacity Charge for Gas Year "t";

Pre_{apt} means the Auction Premium for Firm Annual Capacity product "p" in Gas Year "t" achieved in the auction in Gas Year "a";

$YPACapC_{t}$ means the Year-End Postalised Annual Capacity Charge in Gas Year "t".

(b) For each Non Annual Capacity Product listed in the Gas Product Multipliers and Time Factors Table, for each time period "d" in Gas Year "t", there shall be calculated a Reconciliation Unit Charge as follows:

$RUCNA_{dt} = YPNACapC_{ptd} - (FPNACapC_{pt} + Pre_{pdt})$

Where:

$RUCNA_{dt}$ is the Reconciliation Unit Charge for Firm Non Annual Capacity

$FPNACapC_{pt}$ means the Forecast Postalised Non Annual Capacity Charge (for Capacity Product "p" in Gas Year "t";

Pre_{pdt} means the Auction Premium for Capacity Product "p" in time period "d" of Gas Year "t";

$YPNACapC_{pdt}$ means the Year-End Postalised Non- Annual Capacity Charge for Capacity Product "p" in Gas Year "t";

(c) For each Firm Annual Capacity Product “p” listed in the Gas Product Multipliers and Time Factors Table in Gas Year “t”, there shall be calculated a Capacity Reconciliation Payment in respect of each Gas Supplier “s” in accordance with the following formula (which, together with the formula contained in Conditions 2A.2.6.4 (b) above and (d) and (e) below, shall be referred to as the “Reconciliation Payment Formulae”):

$$CapARP_{stp} = \sum(RUCA_{astp} \text{ x GS Firm Annual Capacity}_{astp})$$

where:

“$CapARP_{stp}$ “ means the Capacity Reconciliation Payment for Firm Annual Capacity payable by or to Gas Supplier “s” in respect of Gas Year “t”;

“$RUCA_{astp}$” is the Reconciliation Unit Charge for Firm Annual Capacity for Gas Supplier “s”, for the Annual Capacity awarded in auctions in Gas Year “a” for Firm Annual Capacity in Gas Year “t” for Firm Annual Capacity product “p”;

“GS Firm Annual $Capacity_{astp}$“ means the GS Firm Annual Capacity held by a Gas Supplier “s” for the capacity awarded in auctions in Gas Year “a” for Firm Annual Capacity in Gas Year “t” for Firm Annual Capacity product “p”,

(d) For each Non Annual Capacity Product “p” listed in the Gas Product Multipliers and Time Factors Table, for each time period “d” in Gas Year “t”, there shall be calculated a Capacity Reconciliation Payment in respect of each Gas Supplier “s” in accordance with the following formula:

$$CapNARP_{stdp} = RUCNA_{stdp} \text{ x GS Firm Non Annual Capacity}_{stdp}$$

where:

“$CapNARP_{stdp}$ “ means the Capacity Reconciliation Payment for Firm Non Annual Capacity payable by or to Gas Supplier “s” in respect of Gas Year “t” and Capacity Product “p” for time period “d”;

“$RUCNA_{stdp}$” is the Reconciliation Unit Charge for Firm Non Annual Capacity for Capacity Product “p” for supplier “s”, in time period “d” of Gas Year “t”;

“GS Firm Non Annual Capacity$_{stdp}$” means the GS Firm Non Annual Capacity held by a Gas Supplier “s” in respect of Capacity Product “p” for time period “d” of Gas Year “t”.

(e) A Commodity Reconciliation Payment shall be calculated in respect of each Gas Supplier in accordance with the following formula and 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:

$ComRP_{st}$ = E or, in the event that E is a positive value, the lesser of E and the sum of 15% of $\Sigma MPComP_{st}$ plus 15% of any Auxiliary Payments invoiced to that Gas Supplier in accordance with Condition 2A.2.5.1(c)

where:

“$ComRP_{st}$” means the Commodity Reconciliation Payment payable by or to Gas Supplier “s” in respect of Gas Year “t”;

E = $(YEPComC_t - FPComC_t)$ x GS Annual Exit Quantity$_{st}$;

“$YEPComC_t$” means the Year-End Postalised Commodity Charge applied in respect of Gas Year “t”;

“$FPComC_t$” means the Forecast Postalised Commodity Charge applied in respect of Gas Year “t”;

“GS Annual Exit Quantity$_t$” means the Exit Quantities of Gas Supplier “s” in respect of Gas Year “t”; and

“$\Sigma MPComP_{st}$” means the aggregate of the Monthly Postalised Commodity Payments invoiced to a Gas Supplier “s” in respect of a 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:

TRPst 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;

$TORC_{st}$ 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:

$$TORC_{st} = \left(\sum\nolimits_{s=1}^{n} ORC_{st}\right) x \frac{TIA_{st}}{\sum_{s=1}^{n} TIA_{st}}$$

where:

$\sum_{s=1}^{n} ORC_{st}$ 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.

$\sum_{s=1}^{n} TIAst$ 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;

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 Publication of Postalised Charges

Subject to any contrary requirements in this Condition 2A, the Licensee shall publish in such form and manner as the Authority may direct:

(a) no later than 31st May each year the Forecast Postalised Charges, or revised Forecast Postalised Charges as calculated under Condition 2A.2.5.3, in respect of the next Gas Year and each of the following four Gas Years, a statement of such charges; and

(b) no later than 3 Business Days after notification to it by the PSA of the Year-End Postalised Charges in respect of a Gas Year, a statement of the Year-End Postalised Charges; and

(c) no later than 3 Business Days after notification to it by the Authority of any amendments to Forecast Postalised Charges required under Condition 2A.2.5.7, a statement of the amended charges; and

(d) no later than 31st May each year, the Gas Product Multipliers and Time Factors Table.

<u>Condition 2A.3 –Recovery of PS Non-Payments</u>

2A.3.1 Invoicing of PS Transmission Payments

The Licensee shall issue all invoices, including appropriate VAT invoices to Gas Suppliers in respect of PS Transmission Payments promptly, accurately, and in accordance with the Network Code and the provisions of this Licence.

2A.3.2 PS Non-Payment and Recovery

In the event of a PS Non-Payment by a Gas Supplier, the Licensee shall:

(a) take all reasonable steps which a prudent network operator acting efficiently and in accordance with best industry practice would take to recover the amount of the PS Non-Payment,

(b) in accordance with the Terms of Reference:

(i) convene a first meeting of the Credit Committee within 10 Business Days of such PS Non-Payment and such further meetings as may be necessary or appropriate;

(ii) attend and participate in any meetings of the Credit Committee convened in connection with the PS Non-Payment; and

(iii) comply with any directions issued by the Credit Committee at any time in respect of any PS Non-Payment ("Directions");

(c) prior to the first meeting of the Credit Committee referred to in Condition 2A.3.2(b)(i) provide to all parties entitled to attend that meeting the following information (or as much of it as the Licensee is able to provide):

(i) full details of the PS Non-Payment(s) including the amount of each PS Non-Payment and the identity of the debtor;

(ii) full details of the security provided by the debtor in respect of PS Transmission Payments under the Network Code and, where applicable any steps taken or being taken to enforce it;

(iii) if desired, a draft of any Directions it believes appropriate for the Credit Committee to consider in respect of the PS Non-Payment(s);

(iv) all relevant information relating to any proceedings for the liquidation or winding up of the debtor, the making of an administration order or arrangement with any class of creditors, the appointment of an administrator or administrative receiver or receiver or any equivalent insolvency event;

(v) full details of the steps taken by the Licensee to recover the outstanding amounts with evidence supporting such details; and

(vi) a full explanation of the reasons why the Licensee has failed to recover the PS Non-Payment(s) at the relevant date;

provided that all such information shall be updated and resubmitted to the relevant parties by the Licensee prior to any further meetings of the Credit Committee which are convened after the first such meeting under Condition 2A.3.2(b)(i), in the event that such information becomes inaccurate with the passage of time; and

(d) notify the Designated Pipe-line Operators, the PSA and the Authority promptly of any Recoveries received by it and transfer any such Recoveries into the PoT Account within 2 Business Days of such receipt.

2A.3.3 Non Payments by other Designated Pipe-line Operators' Suppliers

The Licensee may itself, or in common with other Designated Pipe-line Operators, convene a meeting of the Credit Committee in relation to any PS Non-Payments caused by a PS Gas Supplier failing to pay PS Transmission Payments invoiced by another Designated Pipe-Line Operator in the event that it believes that the Designated Pipe-line Operator from whose network the defaulting PS Gas Supplier enters or exits gas has failed to convene the Credit Committee within the appropriate period following a PS Non-Payment, or is not fulfilling any Directions.

2A.3.4 Debt Payments

2A.3.4.1 The Licensee shall, not later than 5 Business Days before the Invoice Date occurring in the month following a Non-Payment Month, notify the PSA, all Designated Pipe-line Operators, all PS Gas Suppliers, and the Authority of the amount of any PS Non-Payment(s) caused by or relating to its Gas Suppliers arising in that Non-Payment Month which are still outstanding on such date.

2A.3.4.2 The Licensee shall invoice to all Gas Suppliers any Debt Payment or account to all Gas Suppliers in respect of any Debt Repayment, in each case in accordance with the Network Code and as detailed in any Debt Notice in order to give effect to Condition 2A.3.4.3 and shall provide to each Gas Supplier sufficient supporting information to enable it to verify the calculation of Debt Payment or Debt Repayment due from or to it.

2A.3.4.3 Each month "m", the Net Debt Position ("NDP") as at the Debt Notice Date will be calculated by the PSA as follows:

$$NDPm = (A - B - C) + Z$$

Where:

A = as at the Debt Notice Date the PS Notified Debt;

B = as at the Debt Notice Date, the sum of all Debt Payments then paid or payable (including any interest accrued or accruing in respect of late payments) minus the sum of all Debt Repayments then paid or payable (including any interest accrued or accruing in respect of late payments);

C = as at the Debt Notice Date, the total value of all Recoveries received into the PoT Account, together with any interest paid on such Recoveries;

$Z =$ the sum of all interest charges accrued in relation to NDP in previous months calculated in respect of each such previous month ("pm" and each such interest charge being "I_{pm}") as:

$$I_{pm} = NDP_{pm} \times r$$

$r =$ the interest rate from time to time calculated at the monthly equivalent rate of 0.75 plus the one month LIBOR rate, published five Business Days before the relevant Invoice Date.

(i) Where NDP is positive, a Debt Payment shall be invoiced to each Gas Supplier in respect of such positive figure. Such Debt Payment shall, in reference to Gas Supplier "s" be calculated by the PSA in accordance with the following method:

the Debt Payment payable by a Gas Supplier "s" in any month shall be equal to the lower of X and Y:

where:

X = the sum of 10% of the total amount payable by a Gas Supplier "s" in respect of the Total Monthly Payment invoiced in the month preceding the month in which the Debt Payment is to be invoiced (such earlier month being "m-1") and 100% of the amount payable to Gas Supplier(s) in respect of Reconciliation Payments in the month in which the Debt Payment is to be invoiced.

$$Y = (NDP_m + I_m) \times \left(\frac{TMP_{sm-1}}{PSTMP_{m-1}} \right)$$

where:

TMPsm-1 = Total Monthly Payment, calculated as the sum of Monthly Postalised Payments plus any Auxiliary Payments, payable by a Gas Supplier "s" invoiced in the month preceding the month when the Debt Payment is invoiced ("m-1");

$I_m =$ $NDP_m \times r$; and

$PSTMP_{m-1}$ = the aggregate of Total Monthly Payments payable by all PS Gas Suppliers invoiced in respect of the month preceding the month when the Debt Payment is invoiced ("m-1");

(ii) Where NDP is negative in respect of a month (month "m"), an amount (a "Debt Repayment") shall be payable by the Licensee to each relevant Gas Supplier (or former Gas supplier, as the case may be) in respect of any such negative figure. In reference to a Gas Supplier "s" a Debt Repayment shall be calculated by the PSA in accordance with the following formula (the "Debt Repayment Formula"):

$$\text{Debt Repayment to Gas Supplier "s"} = \frac{-NDP \times ADPs}{APSDP}$$

where:

"ADPs "	means the aggregate Debt Payments payable by a Gas Supplier "s" over the Debt Payment Period;
"Debt Payment Period"	means the last month preceding month "m" in which a Debt Payment was payable by PS Gas Suppliers, or, if a Debt Payment has been payable by PS Gas Suppliers in respect of two or more consecutive months preceding month "m", the period of all such consecutive months preceding month "m".
"APSDP"	means the aggregate of Debt Payments payable by PS Gas Suppliers during the Debt Payment Period.

Condition 2A.4 – The Postalisation System Administrator

2A.4.1 The PSA's primary obligations

2A.4.1.1 Subject to Condition 2A.4.1.2, unless the Authority otherwise directs or consents, the Licensee shall do all things within its power to:

(a) enter into, before such date as is appointed by the Authority; and

(b) be party at all times thereafter to

arrangements whereby a person who fulfils the criteria set out in Condition 2A.4.2 (referred to as the "Postalisation System Administrator" or "PSA") carries out the activities specified in Condition 2A.4.3 pursuant to an agreement between the PSA and the Designated Pipe-line Operators which fulfils the criteria referred to in Conditions 2A.4.3 and 2A.4.4 and has been and remains approved by the Authority (referred to as the "PSA Agreement").

2A.4.1.2 The Licensee shall only be entitled to terminate the PSA Agreement without the Authority's prior written consent if the PSA is or becomes insolvent; if the PSA, in the reasonable opinion of the Licensee, commits a material breach of the terms or warranties of the PSA Agreement; or if any approval given by the Authority under Condition 2A.4.2.2 expires or is revoked. Upon such termination the Licensee shall use its best endeavours promptly to appoint a new PSA in accordance with this Condition 2A.4.

2A.4.1.3 Where written consent of the Authority is required to terminate the PSA Agreement and such consent is sought by the Licensee, such consent shall be deemed as having been given if the Authority has not sent written notice to the Licensee of its objection to such termination and the grounds for such objection within 4 weeks after its receipt of full written details of the proposed termination. The Licensee shall provide the Authority with any further relevant information requested during that four weeks.

2A.4.1.4 Unless the Authority otherwise consents, if the Licensee fails to enter into the arrangements referred to in Condition 2A.4.1.1 above by the date required by that Condition the Licensee shall use its best endeavours to enter into such arrangements as soon as possible thereafter.

2A.4.2 Criteria for appointment of the PSA

2A.4.2.1 The person fulfilling the functions of PSA from time to time pursuant to this Condition 2A.4 shall:

(a) be a competent, fit and proper person to fulfil the PSA Functions having the systems and controls in place to fulfil those functions; and

(b) have sufficient suitably qualified and skilled personnel to enable it to perform the PSA Functions.

2A.4.2.2 The criteria specified in Condition 2A.4.2.1 shall be treated as satisfied in respect of any appointment if the Licensee appoints as the PSA a person who at the time of appointment is a person approved by the Authority for the purposes of this Condition and if that approval has not expired or been revoked.

2A.4.3 The PSA's functions

2A.4.3.1 The PSA Agreement shall, in accordance with Condition 2A.4.1.1, impose on the PSA the following functions (referred to as the "PSA Functions"):

(a) the receipt from each of the Designated Pipe-line Operators of the information to be submitted to the PSA pursuant to Condition 2A.2.3 of each Designated Pipe-line Operator's Respective Licence and the receipt from each of the Designated Pipe-line Operators of its Forecast Required Revenue for the coming Gas Year "t" and the following four Gas Years pursuant to its Respective Licence;

(b) the calculation of the relevant Forecast Postalised Charges for the next Gas Year and the following four Gas Years through application of the Forecast Postalisation Formulae and notification thereof to all Designated Pipe-line Operators in each case within 5 Business Days of receipt of the information specified in (a) above;

(c) the verification of payments into the PoT Account (to include keeping a record of all Debt Payments paid by each PS Gas Supplier in relation to particular PS Non-Payments) and prompt notification to Designated Pipe-line Operators of any PS Non-Payment and of any Recovery paid into the PoT Account;

(d) the calculation of any VAT Distributions due in respect of sums received into the PoT Account from PS Gas Suppliers on the date of calculation of the Monthly Distribution in the relevant month (month "m").

(e) notification to the Designated Pipe-line Operators of any part or full settlement of PS Non-Payments by PS Gas Suppliers made on or before the Second Due Date in relation to such PS Non-Payments and the issue of directions to the Trustee to distribute such settlements payments according to Condition 2A.6.

(f) on the Debt Notice Date each month the calculation of the Net Debt Position and each Designated Pipe-line Operator's Debt Entitlement and, where applicable, any Debt Payment or Debt Repayment to be charged or credited to each PS Gas Supplier and the issue to Designated Pipe-line Operators and the Authority of a notice (a "Debt Notice") in relation to any such Debt Payment and/or Debt Repayment arising which shall contain:

  (i) details of any PS Notified Debt and interest thereon and any Recovery to which such Debt Payments/Repayments relate;

  (ii) details of the relevant Designated Pipe-line Operator's Debt Entitlement;

  (iii) particulars of the Debt Payment or Debt Repayment to be charged or credited to each PS Gas Supplier;

  (iv) sufficient information concerning the Total Monthly Payments and Auxiliary Payments in any period relevant to the calculation of Debt Payment or Debt Repayment to permit verification of the calculations of Debt Payment or Debt Repayment in the Debt Notice.

(g) the calculation of the Year-End Postalised Charges and any Capacity Reconciliation Payments and Commodity Reconciliation Payments applicable to each PS Gas Supplier in accordance with the provisions of Condition 2A.2.6.3 and Condition 2A.2.6.4; and the notification of the results of all such calculations to all Designated Pipe-line Operators and to the Authority no later than the 1st Business Day in December after the end of each Gas Year;

(h) the calculation as soon as reasonably practicable, and within 5 Business Days of receipt of all relevant information in accordance with Condition 2A.6.1.3 of the Year-End Amount, if any, to be paid by or to each of the Designated Pipe-line Operators in respect of the previous Gas Year;

(i) the calculation of upstream tariffs as required under the terms of Designated Pipe-line Operators' licences and notification to the respective Designated Pipe-line Operator and the Authority, no later than the 20 Business Day in April;

(j) on or before the 5th Business Day following each Due Date the calculation in respect of each Designated Pipe-line Operator of the applicable Monthly Postalised Entitlements and Monthly Distributions in respect of the relevant month; and the issue of appropriate directions to the Trustee for the purpose of implementing Condition 2A.6 so that any such Monthly Distributions are made to Designated Pipe-line Operators as soon as possible and at least within 7 Business Days of the Due Date;

(k) calculation of any additional sums due by way of Monthly Distribution in respect of any sum received into the PoT Account after the issue of instructions to the Trustee in accordance with (j) above and before the next Debt Notice Date;

(l) following the end of each Gas Year, the calculation, recording and notification to the Authority and the Designated Pipe-Line Operators not later than the 10th Business Day in December of the next Gas Year of the amount of any Commodity Reconciliation Payments which would have been payable by each PS Gas Supplier in respect of each Gas Year but for the application of the 15% ΣMPComPst cap contained in Condition 2A.2.6.4(e). Such amounts in respect of each Gas Year and each PS Gas Supplier shall be defined as the

"Unrecovered Postalisation Payments" ("UNRPt ") and shall be calculated in accordance with the following formula:

UNRPt = (YEPComCt - FPComCt) x PS Annual Exit Quantityt - ΣComRPt

where ΣComRPt is equal to all Commodity Reconciliation Payments as determined under Condition 2A.2.6.4 (e) in Gas Year "t"

(m) the re-calculation of the Forecast Postalised Charges as required under Condition 2A 2.5.2 and Condition 2A.2.5.3 within three Business Days of receipt of adjusted figures from the Authority.

(n) The division of any amounts in respect of Termination Payments received into the PoT Account:

(aa) between Designated Pipe-Line Operators where two or more Designated Pipe-line Operators have invoiced such payments to the same PS Gas Supplier in the same month, in proportion to the relevant invoices;

(bb) between that part of Termination Payments payable in respect of PS Transmission Charges relating to the Gas Year in which termination occurs and that part of Termination Payments related to future Gas Years, the allocation to be made in such a way that:

(i) Termination Payments shall be applied first in respect of sums due in respect of PS Transmission Charges in the Gas Year in which termination occurs; and

(ii) secondly, in respect of Termination Payments related to future Gas Years.

The PSA shall notify the Designated Pipe-line Operators of the sums allocated and issue directions to the Trustee to transfer the part of any such Termination Payment applicable to future Gas Years to the relevant Primary DPO in accordance with Condition 2A. 6.1.4.

2A.4.4 PSA Agreement criteria

2A.4.4.1 The PSA Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator or PS Gas Supplier and shall:

(a) require the PSA to fulfil the PSA Functions in a manner which is transparent and which does not unduly discriminate as between Designated Pipe-line Operators or PS Gas Suppliers;

(b) require the PSA to institute appropriate arrangements and procedures to enable the PSA to fulfil the PSA Functions in an efficient and economic manner;

(c) make provision for the modification of the PSA Agreement, in the following circumstances only:

i. with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the PSA Agreement of its objection to such modification and the grounds for such objection within 4 weeks of its receipt of full written details of the proposed modification, together with any further relevant information requested by the Authority); or

ii. in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence, following consultation with the Designated Pipe-line Operators;

(d) provide for its termination in the event that any approval granted by the Authority pursuant to Condition 2A.4.2.2 is revoked;

(e) require the PSA to co-operate with the Authority including without limitation by the sharing of information, both generally and to enable the Authority as far as is reasonably practicable to monitor whether the PSA is continuing to fulfil the PSA Functions in an efficient and economic manner;

(f) require the PSA to perform its functions promptly and diligently with reasonable skill and care, and in conformity with all applicable laws, rules and regulations;

(g) require the PSA to perform all calculations in accordance with any financial model approved by the Authority from time to time following consultation by the Authority with the Designated Pipe-Line Operators;

(h) require the Licensee to co-operate with the PSA, such co-operation to include but not be limited to providing the PSA and other Designated Pipe-line Operators with such information as is at the Licensee's disposal and which would facilitate the operation of the system of postalised charges in respect of the Postalised System, provided that the Licensee shall not be required to provide to another Designated Pipe-line Operator confidential information, the provision of which would, or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator; and

(i) subject to Condition 2A.4.1.2 provide that, except with the consent of the Authority, the Licensee shall not terminate the PSA Agreement until such time as a new PSA has been appointed under a PSA Agreement conforming with all the requirements under this Condition 2A.4.

2A.4.5 Licensee's obligations in relation to the PSA

2A.4.5.1 The Licensee shall:

(a) promptly after becoming aware thereof, notify the Authority of any material or persistent breach of any obligation by any party under the PSA Agreement;

(b) take all reasonable steps to enforce the obligations of the parties to the PSA Agreement whenever required, or whenever so directed by the Authority by written notice, and in accordance with the terms of the direction;

(c) not knowingly waive any right under the PSA Agreement without the prior written consent of the Authority;

(d) comply with its obligations under the PSA Agreement;

(e) exercise its rights to terminate the PSA Agreement whenever directed by the Authority by written notice;

(f) immediately notify the Authority if any party to the PSA Agreement, terminates or gives notice to terminate the PSA Agreement;

(g) use its reasonable endeavours to procure that the PSA performs its functions promptly and diligently, with reasonable skill and care, and in conformity with all applicable laws, rules and regulations and in accordance with generally accepted best accounting practice; and

(h) provide the PSA promptly with any information it requires to perform the PSA Functions including copies of all PS Transmission Payment invoices as soon as reasonably practicable, and is at the Licensee's disposal and which would facilitate operation of the system of postalised charges in respect of the Postalised System.

Condition 2A.5 – The Trustee

2A.5.1 The Trustee's and Account Bank's primary obligations

2A.5.1.1 Subject to Condition 2A.5.1.2, unless the Authority otherwise directs or consents, the Licensee shall do all things within its power to:

(a) enter into, before such date as is appointed by the Authority; and

(b) be party at all times thereafter to

arrangements whereby

(i) a person who fulfils the criteria set out in Condition 2A.5.2.1 (referred to as the "Trustee") carries out the activities specified in Condition 2A.5.3 pursuant to an agreement between the Trustee and the Designated Pipe-line Operators which fulfils the criteria referred to in Condition 2A.5.3 and 2A.5.4 (referred to as the "Trust and Account Bank Agreement") and which has been and remains approved by the Authority; and

(ii) a person who fulfils the criteria set out in Condition 2A.5.2.2. (referred to as the "Account Bank") provides an account for use as the PoT Account pursuant to the Trust and Account Bank Agreement and which has been and remains approved by the Authority.

2A.5.1.2 The Licensee shall only be entitled to terminate the Trust and Account Bank Agreement without the Authority's prior written consent if the Trustee and/or the Account Bank is or becomes insolvent; if in the reasonable opinion of the Designated Pipe-Line Operators, the Trustee and/or the Account Bank commits a material breach of the terms or warranties of the Trust and Account Bank Agreement; or if any approval given by the Authority under Condition 2A.5.2.3 expires or is revoked.

2A.5.1.3 Unless the Authority otherwise consents if the Licensee fails to enter into the arrangements referred to in Condition 2A.5.1.1 above by the date required by that Condition the Licensee shall use its best endeavours to enter into such arrangements as soon as possible thereafter.

2A.5.2 Criteria for appointment of the Trustee

2A.5.2.1 The person fulfilling the functions of Trustee from time to time pursuant to this Condition 2A.5 shall:

(a) be a competent, fit and proper person to fulfil the Trustee Functions having the systems and controls in place to fulfil those functions; and

(b) have sufficient suitably qualified and skilled personnel to enable it to perform the Trustee Functions.

2A.5.2.2 The person fulfilling the functions of Account Bank from time to time pursuant to this Condition 2A.5 shall:

(a) be a competent, fit and proper person to provide and administer the PoT Account having the systems and controls in place to fulfil those functions; and

(b) have sufficient suitably qualified and skilled personnel to enable it to provide and administer the PoT Account.

2A.5.2.3 The criteria specified in Conditions 2A.5.2.1 and 2A.5.2.2 shall be treated as satisfied in respect of any appointment if the Licensee appoints as the Trustee and/or the Account Bank, as appropriate, a person who at the time of appointment is a person approved by the Authority for the purposes of this Condition and if that approval has not expired or been revoked.

2A.5.3 The Trustee's functions

2A.5.3.1 The Trust and Account Bank Agreement shall, in accordance with Condition 2A.5.1.1, impose on the Trustee the following functions (referred to as the "Trustee Functions"):

(a) the maintenance of a bank account (the "PoT Account") into which all monies paid by PS Gas Suppliers in respect of PS Transmission Payments shall be received, held on trust for and distributed to the Licensee and the other Designated Pipe-line Operators at the intervals and in accordance with the instructions of the PSA;

(b) the receipt into the PoT Account and holding on trust of all monies paid by PS Gas Suppliers in discharge of PS Transmission Payments;

(c) the distribution of monies from the PoT Account on the instructions of the PSA; and

(d) providing the PSA promptly with any details concerning payments into and from the PoT Account as it may require at any time.

2A.5.4 Trust and Account Bank Agreement criteria

2A.5.4.1 The Trust and Account Bank Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator and shall:

(a) require the Trustee to fulfil the Trustee Functions in a manner which is transparent and which does not unduly discriminate as between Designated Pipe-line Operators;

(b) require the Trustee to institute appropriate arrangements and procedures to enable the Trustee to fulfil the Trustee Functions in an efficient and economic manner;

(c) make provision for the modification of the Trust and Account Bank Agreement, in the following circumstances only:

i. with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the Trust and Account Bank Agreement of its objection to such modification and the grounds for such objection within 4 weeks of its receipt of full written details of the proposed modification); or

ii. in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence following consultation with the Designated Pipe-line Operators;

(d) provide for its termination in the event that any approval granted by the Authority pursuant to Condition 2A.5.2.3 is revoked;

(e) require the Trustee to co-operate with the Authority including without limitation by the sharing of information, both generally and to enable the

Authority as far as is reasonably practicable to monitor whether the Trustee is continuing to fulfil the Trustee Functions;

(f) require the Trustee to perform its functions promptly and diligently with reasonable skill and care, and in conformity with all applicable laws, rules and regulations;

(g) require the Licensee to co-operate with the Trustee: such co-operation shall include but not be limited to providing the Trustee and other Designated Pipe-line Operators with such information as is at the Licensee's disposal which would facilitate the operation of the system of postalised charges in respect of the Postalised System provided that the Licensee shall not be required to provide to another Designated Pipe-line Operator confidential information, the provision of which would, or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator;

(h) subject to Condition 2A.5.1.2, provide that, except with the consent of the Authority, the Licensee shall not terminate the Trust and Bank Agreement until such time as a new Trustee has been appointed under a Trust and Bank Agreement conforming with all the requirements under this Condition 2A.5; and

(i) require the parties thereto to ensure at all times that the terms and conditions of the Trust and Account Bank Agreement comply with the terms of the Licence.

2A.5.5 Licensee's obligations in relation to the Trustee

2A.5.5.1 The Licensee shall:

(a) promptly after becoming aware thereof notify the Authority of any material or persistent breach of any obligation by any party under the Trust and Account Bank Agreement;

(b) take all reasonable steps to enforce the obligations of the parties to the Trust and Account Bank Agreement whenever required, or whenever so directed by the Authority by written notice, and in accordance with the terms of the direction;

(c) not knowingly waive any right under the Trust and Account Bank Agreement without the prior written consent of the Authority;

(d) comply with its obligations under the Trust and Account Bank Agreement;

(e) exercise its rights to terminate the Trust and Account Bank Agreement whenever directed by the Authority by written notice;

(f) immediately notify the Authority if any party to the Trust and Account Bank Agreement, terminates or gives notice to terminate the Trust and Account Bank Agreement; and

(g) use its reasonable endeavours to procure that the Trustee performs its functions promptly and diligently, with reasonable skill and care, and in conformity with all applicable laws, rules and regulations.

Condition 2A.6 – Distributions from the PoT Account and Designated Pipe-line Operators Agreement

2A.6.1 PoT Account Calculations – Entitlements, Distributions and Payments

2A.6.1.1 The following shall be calculated in accordance with the provisions of this Condition 2A.6.1:

(a) the monthly entitlement of the Licensee to sums from the PoT Account calculated on the basis of amounts receivable in respect of Monthly Postalised Payments, Auxiliary Payments, Termination Payments and Debt Payments;

(b) the Year-End Amount if any due to or from the Licensee; and

(c) the amount to be distributed to the Licensee from the PoT Account on a monthly basis in respect of (a) and (b) above.

2A.6.1.2 Monthly Entitlements

(a) Monthly Postalised Entitlement

The Monthly Postalised Entitlement ("MPELm") of Licensee "L" in respect of a month "m" shall be the lower of the following:

(i) $$\frac{(TMPTm + DPIm)}{PSFRRt} \times FRRLt$$

and

(ii) $FRRLt + ADPILt - AMPELt$

Where:

TMPTm = the aggregate (excluding any VAT on all such amounts) of:

(aa) all Monthly Postalised Payments payable into the PoT Account, which:

(1) have their Due Date falling in month "m"; and

(2) are payable in respect of Postalised System transmission services provided in month “m-2”, being the month in which gas flowed and the invoice for which was issued in month “m-1”; plus

(bb) any Auxiliary Payments payable into the PoT Account which have their Due Date falling in month “m” and are payable in respect of the Gas Year “t” in which month “m-2” falls;

(cc) any Termination Payments payable in respect of PS Transmission Payments relating to Gas Year “t” in which month “m-2” falls received into the PoT Account in month “m”.

FRRLt = the Licensee’s Forecast Required Revenue in respect of the Gas Year “t” in which month “m-2” falls;

PSFRRt = PS Forecast Required Revenue in respect of the Gas Year “t” in which month “m-2” falls;

AMPELt = the aggregate Monthly Postalised Entitlements of the Licensee in respect of prior months in the Gas Year “t” in which month “m-2” falls;

DPIm = any interest paid on payments relating to Total Monthly Payments in month “m” received after the Due Date and before or on the Second Due Date; and

$$ADPILt = \sum DPImt \times \frac{FRRLt}{PSFRRt}$$

(b) Debt Entitlement

The Debt Entitlement ("DEL") of Licensee "L" calculated on a rolling monthly basis shall be its proportionate entitlement to Debt Payments, comprising:

(i) its entitlement to outstanding Total Monthly Payments for services provided during a Gas Year and outstanding Debt Payments representing unpaid Total Monthly Payments relating to that Gas Year, in each case calculated by reference to the Licensee's Forecast Required Revenue as a proportion of PS Forecast Required Revenue; plus

(ii) its entitlement to debt incurred in respect of Year-End Amounts calculated by reference to the Licensee's Year-End Amounts due to it as a proportion of the sum of all PS Year-End Amounts that are positive.

calculated as:

DEL = [(ShortfallL – DPEL)/(PSShortfall-PSDPE)]* (DPm +DPID)

where:

DPEL = the aggregate of all Debt Entitlements of the Licensee in respect of previous months excluding the interest element, Z.

PSDPE = the aggregate of all Debt Entitlement amounts for all Designated Pipe-line Operators under their Respective Licences in respect of previous months excluding the interest element, Z.

ShortfallL = AEL – ADL in all previous months in Gas Years commencing on or after the Designation Date in respect of each Designated Pipe-line Operator;

PSShortfall = the aggregate all Shortfall amounts for all Designated Pipe-line Operators under their Respective Licence;.

AEL = the aggregate of all entitlement amounts for the Licensee in respect of all previous months in Gas Years commencing on or after the Designation Date.

ADL = the aggregate of all distribution amounts for the Licensee in respect of all previous months in Gas Years commencing on or after the Designation Date.

DPm = the total charges payable by PS Gas Suppliers due in month "m" in respect of PS Notified Debt as contemplated by Condition 2A.3.4.1 and as detailed in the applicable Debt Notice;

DPIDm = Any interest paid on payments relating to Debt Payments in month "m" received after the Due Date and before or on the Second Due Date.

(c) Termination Entitlement

The Termination Entitlement ("TEL") of Licensee "L" in relation to Termination Payments received into the PoT Account from Gas Suppliers to which the Licensee is the Primary DPO, with respect to future Gas Years as calculated by the PSA according to Condition 2A.4.3.1(n).

2A.6.1.3 Year-End Amounts – Calculation of Entitlement/Obligation

(a) A year-end amount ("Year-End Amount" or "YEALt") in respect of that Gas Year shall be calculated in accordance with the following formula, in relation to which if YEALt is a negative figure, the Licensee shall be obliged to make payment into the PoT Account of the amount of such figure within 25 Business Days of the date that it receives notice from the PSA of the relevant amount, and if YEALt is a positive figure, the Licensee shall be entitled to receive the amount of the Year-End Amount from the PoT Account:

$$YEALt = \frac{(ARRLt \times (PSTMPTt + \sum DPImt + RPTotal + DPIRt))}{PSARRt} - AMPELt$$

Where:

YEALt =	Year-End Amount in respect of Gas Year "t" and Licensee "L";
ARRLt =	the Licensee's Actual Required Revenue in respect of Gas Year "t";
PSARRt =	the PS Actual Required Revenue in respect of Gas Year "t";
PSTMPTt =	the aggregate of TMPTm as calculated in Condition 2A.6.1.2 (a) in respect of all the months falling within Gas Year "t";
RPTotal =	the aggregate of all Capacity Reconciliation Payments and Commodity Reconciliation Payments, each in respect of Gas Year "t" and receivable from PS Gas Suppliers; and
AMPELt =	the aggregate of Monthly Postalised Entitlements of the Licensee in respect of Gas Year "t".
DPIRt =	any interest paid on payments relating to Reconciliation Payments received after the Due Date and before or on the Second Due Date falling in month "m".
∑DPImt =	the aggregate amount of interest paid on payments relating to Total Monthly Payments for Gas Year "t" payable in any month "m" received after the Due Date and before or on the Second Due Date.

2A.6.1.4 Monthly Distributions

The amount of the distribution to be made to the Licensee from the PoT Account in any month (the "Monthly Distribution") shall be calculated by the PSA on the basis of the balance of monies in the PoT Account, net of any amounts in the PoT account as a result of any requirement to maintain a minimum account balance and any interest earned on the PoT account balance, on the date of calculation of the Monthly Distribution in the relevant month (month "m") (such balance of monies on the PoT Account at that date being referred to below as "W"). The Licensee shall be entitled to receive by way of Monthly Distribution an amount equal to the sum of each of DA1L, DA2L, DA3L, DA4L, DA5L and DA6L calculated as follows:

(a) VAT Distributions

DA1L = VATL

where:

VATL = the aggregate amount of VAT Distributions for the Licensee as calculated by the PSA according to Condition 2A4.3.1 (d)

(b) Distribution to enable Licensee to fulfil obligation to reimburse Gas Suppliers

Where the Licensee is obliged to reimburse any sum to one or more of its Gas Suppliers in accordance with this Part 2A of the Licence and the Network Code then DA2L shall be a sum equal to GSR provided that if no such payment is payable by the Licensee to any of its Gas Suppliers in the relevant month DA2L shall be zero.

Where:

GSR = the aggregate amounts that the Licensee is required to reimburse to its Gas Suppliers in relation to PS Transmission Payments in accordance with this Part 2A of the Licence and the Network Code;

(c) Year-End Amount Distributions

In the month following a month in which Reconciliation Payments have been invoiced to one or more PS Gas Suppliers a distribution in respect of Year-End Entitlement DA3L shall be calculated as follows:

(i) If $W - PSDA1 - PSDA2 \geq PSYEA$

then DA3L shall be a sum equal to YEALt; or

(ii) If $W - PSDA1 - PSDA2 < PSYEA$

then DA3L shall be calculated as follows:

$$DA3L = \frac{(W - PSDA1 - PSDA2) x YEALt}{PSYEA}$$

Provided that if YEAL is a negative figure then DA3L shall be zero.

where:

W = the balance of monies in the PoT Account, net of any amounts in the PoT Account as a result of any requirement to maintain a minimum account balance and any interest earned on the PoT Account balance

PSDA1 = the aggregate of all DA1L figures for all Designated Pipe-line Operators under their Respective Licence for month "m";

PSDA2 = the aggregate of all DA2L figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

YEALt = the Year-End Amount calculated in accordance with Condition 2 A.6.1.3;

PSYEA = the aggregate of all positive Year-End Amounts for all Designated Pipe-line Operators under their Respective Licences;

(d) Monthly Postalisation Distributions

(i) If $W - PSDA1 - PSDA2 - PSDA3 \geq PSMPE$

then DA4L shall be an amount equal to MPEL; or

(ii) If $W - PSDA1 - PSDA2 - PSDA3 < PSMPE$

then DA4L shall be calculated as follows:

$$DA4L = (W - PSDA1 - PSDA2 - PSDA3) \times \frac{MPELm}{PSMPE}$$

where:

PSDA1 = the aggregate of all DA1L figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

PSDA2 = the aggregate of all DA2L figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

PSDA3 = the aggregate of all DA3L figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

MPELm = the Monthly Postalised Entitlement of the Licensee calculated in accordance with Condition 2A.6.1.2(a) above;

PSMPE = the aggregate of all Monthly Postalised Entitlement figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

(e) Termination Distributions

(i) If W – PSDA1 – PSDA2 – PSDA3 – PSDA4 $\geq$ PSTE

then DA5L shall be a sum equal to TEL; or

(ii) If W – PSDA1 – PSDA2 – PSDA3 - PSDA4 < PSTE

then DA5L shall be calculated as follows:

$$DA5L = (W - PSDA1 - PSDA2 - PSDA3 - PSDA4) \times \frac{TELm}{PSTE}$$

where:

PSDA1 =the aggregate of all DA1L figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

PSDA2 =the aggregate of all DA2L figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

PSDA3 =the aggregate of all DA3L figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

PSDA4 =the aggregate of all DA4L figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

TELm =the amount, if any, payable to the Licensee in respect of Termination Payments received into the PoT Account under the Network Code in month "m" which relate to Gas Years after the Gas

Year in which termination occurs as calculated by the PSA under Condition 2A4.3.1 (n); and

PSTE =the aggregate of all TELm figures for all Designated Pipeline Operators under their Respective Licences for month "m".

(f) Monthly Debt Payment Distributions

(i) If W – PSDA1 – PSDA2 – PSDA3 – PSDA4- PSDA5 $\geq$ PSDE

then DA6L shall be a sum equal to DEL; or

(ii) If W – PSDA1 – PSDA2 – PSDA3- PSDA4 –PSDA5 < PSDE

then DA6L shall be calculated as follows:

$$DA6L = (W - PSDA1 - PSDA2 - PSDA3 - PSDA4 - PSDA5) \times \frac{DELm}{PSDE}$$

where:

PSDA1 =the aggregate of all DA1L figures for all Designated Pipeline Operators under their Respective Licence for month "m";

PSDA2 =the aggregate of all DA2L figures for all Designated Pipeline Operators under their Respective Licence for month "m";

PSDA3 =the aggregate of all DA3L figures for all Designated Pipeline Operators under their Respective Licences for month "m";

PSDA4 =the aggregate of all DA4L figures for all Designated Pipeline Operators under their Respective Licences for month "m";

PSDA5 =the aggregate of all DA5L figures for all Designated Pipeline Operators under their Respective Licences for month "m";

DELm =the Debt Entitlement of the Licensee "L" for month "m" calculated in accordance with Condition 2A.6.1.2(b) above;

PSDE =the aggregate of all Debt Entitlement figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

2A.6.2 Inter-Designated Pipeline Operators Provisions

2A.6.2.1 Designated Pipe-line Operators Agreement

Unless the Authority otherwise consents, the Licensee shall on or before a date appointed by the Authority enter into and be a party at all times thereafter to a binding agreement with the other Designated Pipe-line Operators which complies with the criteria specified in Condition 2A.6.2.2 and which is in a form approved in advance by the Authority pursuant to which it will:

(a) act together with the other Designated Pipe-line Operators to appoint and re-appoint the PSA from time to time;

(b) establish the PoT Account and appoint and re-appoint the Trustee and/or the Account Bank from time to time;

(c) in conjunction with other Designated Pipe-line Operators, enforce the PSA Agreement and the Trust and Account Bank Agreement; and

(d) undertake to the other Designated Pipe-line Operators (in consideration of equivalent undertakings) to issue invoices promptly and accurately, and to give effect to common payment terms and credit arrangements,

and which will contain such other provisions for the efficient operation of a system of PS Transmission Payments as the Designated Pipe-line Operators may agree and the Authority may approve (the “Designated Pipe-line Operators Agreement”).

2A.6.2.2 Designated Pipe-line Operators' Agreement Criteria

(a) The Designated Pipe-line Operators' Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator or PS Gas Supplier and shall:

(i) ensure the PSA, the Trustee and the Account Bank institute appropriate arrangements and procedures to enable the PSA to fulfil the PSA Functions and the Trustee to fulfil the Trustee Functions in an efficient and economic manner;

(ii) make provision for the modification of the Designated Pipe-line Operators Agreement in the following circumstances only:

(aa) with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the Designated Pipe-line Operators Agreement of its objection to such modification and the grounds for such objection within 8 weeks of its receipt of full written details of the proposed modification); and

(bb) in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence, following consultation with the Designated Pipe-line Operators.

(b) The Designated Pipe-line Operators' Agreement shall include an obligation on the Licensee to co-operate with the other Designated Pipe-line Operators. Such co-operation shall include but not be limited to providing the PSA and other Designated Pipe-line Operators with such information as is at the Licensee's disposal (other than confidential information the provision of which would or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator) and which would facilitate the operation of a system of PS Transmission Payments in respect of the Postalised System.

Condition 2A.7 – New Licence Requirements relating to the Network Code

2A.7.1 At any time when, and to the extent that, a Designation Order is and remains in force in respect of all or part of the Network the following provisions shall apply in relation to the Licensee's obligation to establish and implement procedures for the modification of its Network Code.

2A.7.2 The relevant objective, the achievement of which is to be facilitated by the Licensee's Network Code, shall include the operation of efficient and economic arrangements for a system of common tariffs in respect of the Licensee's Designated Network and the Designated Network (as such term is defined in the licence of each other Designated Pipe-line Operator) of all other Designated Pipe-line Operators.

2A.7.3 The procedures which the Licensee is required to establish and implement for the modification of the Network Code shall provide:-

(a) for all other Designated Pipe-line Operators and PS Gas Suppliers to be consulted by the Licensee in relation to any modification of the Network Code proposed by the Licensee or any other party entitled to raise such proposals;

(b) for all other Designated Pipe-line Operators and PS Gas Suppliers to be notified as soon as possible of any proposed modification put forward by the Authority or by any PS Gas Supplier;

(c) that in proposing or reporting on any modification, the Licensee shall have regard to the impact that such modification might have on the operation of any other Designated Pipe-line Operator's network code; and

(d) where appropriate, for joint reports to be prepared.

2A.7.4 The Licensee shall consult all other Designated Pipe-line Operators and the PS Gas Suppliers before proposing any modification to the modification rules.

SCHEDULE 1

Licensed Area for the conveyance of gas

1.1 Subject to Paragraphs 1.2 and 1.3 and 1.4 the Licensed Area from time to time shall comprise the land at and within the border of Northern Ireland in, on or over which:

(a) the North West pipe-line and South North pipe-line are situated or are to be situated; and

(b) any spurs which:

(i) the Authority has directed the Licensee to construct under Condition 1.15.5(a); and

(ii) the Licensee will own and or operate

are situated or are to be situated.

1.2 If the South North pipe-line is not operational by a date 24 months after the later of:

(a) the Authority (or the Department) serving notice on the Licensee that postalisation has been achieved;

(b) the Department serving notice on the Licensee that all conditions associated with the provision of financial assistance to the Licensee by the Department have been fulfilled; and

(c) the first operational commencement date,

the Authority may at any time thereafter by not less than 30 days' notice to the Licensee modify the Licensed Area specified in Paragraph 1.1 so as to exclude the route of the South North pipe-line provided that the Authority may at any time substitute a longer period or agree a later date than that specified above where reasonably satisfied that exceptional circumstances which could not have been reasonably foreseen by the Licensee have prevented, or could reasonably be expected to prevent, the South North pipe-line from becoming operational within the time scale specified.

For the purpose of this paragraph 1.2 postalisation shall be considered to be achieved at the commencement of the first tariff period in respect of which a common tariff for the conveyance of gas through transmission pipe-lines in Northern Ireland has been determined.

1.3 If the South North pipe-line is not operational by 31st December 2008 the Authority may at any time thereafter by not less than 30 days' notice modify the Licensed

Area specified in Paragraph 1.1 so as to exclude the route of the South North pipe-line.

1.4 If the Authority refuses consent under Article 35 of the Order for the execution of works for the construction of the South North pipe-line it may at any time thereafter by not less than 30 days' notice to the Licensee modify the Licensed Area specified in Paragraph 1.1 so as to exclude the route of the South North pipe-line.

SCHEDULE 2

Right of Authority to Revoke Licence

1. **Circumstances allowing revocation**

1.1 The Authority may at any time revoke the Licence by not less than 30 days' notice to the Licensee:

(a) if the Licensee agrees in writing with the Authority that such Licence should be revoked; or

(b) if any amount payable under Condition 1.13 is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the Licensee notice that the payment is overdue provided that no such notice shall be given earlier than the sixteenth day after which the amount payable becomes due; or

(c) if the Licensee fails to comply with a Final Order (within the meaning of Article 42 of the Energy Order) or with a Provisional Order (within the meaning of Article 42 of the Energy Order) which has been confirmed under Article 42 of the Energy Order and which (in either case) has been made in respect of a contravention or apprehended contravention of a condition to which the Licence is subject or of a "relevant requirement" as defined in Article 41(2)(b) of the Energy Order and such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice of such failure to the Licensee, provided that no such notice shall be given by the Authority before the expiration of the period within which an application under Article 44 of the Energy Order could be made questioning the validity of the Final or Provisional Order or before the proceedings relating to any such application are finally determined; or

(cc) if the Licensee fails to pay any financial penalty (within the meaning of Article 45 of the Energy Order) imposed in respect of a contravention or apprehended contravention of a condition to which the licence is subject or of a "relevant requirement" as defined in Article 41(2)(b) of the Energy Order by the due date for such payment and such payment is not made to the Authority within three months after the Department has given notice in writing of such failure to the Licensee, provided that no such notice shall be given by the Department before the expiration of the period within which an application under Article 49 of the Energy Order could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined; or

(d) if the Licensee fails to comply with any order made by the Secretary of State under Sections 56 or 73 of the Fair Trading Act 1973; or

(e) if the Licensee:

(i) is unable to pay its debts (within the meaning of Article 103(1) or (2) of the Insolvency (Northern Ireland) Order 1989, but subject to Paragraph 4 of this Schedule 2) or if any voluntary arrangement is proposed in relation to it under Article 14 of that Order or if it enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority); or

(ii) has a receiver (which expression shall include an administrative receiver within the meaning of Article 5(1) of the Insolvency (Northern Ireland) Order 1989) of the whole or any material part of its assets or undertaking appointed; or

(iii) has an administration order under Article 21 of the Insolvency (Northern Ireland) Order 1989 made in relation to it; or

(iv) passes any resolution for winding up other than a resolution previously approved in writing by the Authority; or

(v) becomes subject to an order for winding up by a court of competent jurisdiction; or

(f) if at any time the Licensee intentionally or recklessly fails to notify the Authority of a change in control as soon as practicable after such change in control should have occurred; or there has been a change in control notified by the Licensee and in either case:

(i) the Authority serves notice on the Licensee stating that the Authority proposes to revoke the Licence in pursuance of this paragraph unless such further change in control of the Licensee as is specified in the notice takes place (or control reverts to the person(s) controlling the Licensee prior to the change) within the period of three months beginning with the date of service of the notice; and

(ii) that further change or reversion in control does not take place within that period; or

(g) if the Licensee is convicted of having committed an offence under Article 46 of the Order or under Article 63 of the Electricity (Northern Ireland) Order 1992; or

(h) if the Authority refuses consent under Article 35 of the Order for the execution of works for the construction of the North West pipe-line.

2. **Revocation if the Licensee fails to provide satisfactory evidence that it has secured an adequate contract for the underwriting of the costs of North West pipe-line**

2.1. If within nine months of the grant of the Licence, or such longer period as the Authority may agree with the Licensee, the Licensee fails to provide the Authority and the Department with satisfactory evidence that it has secured an adequate contract for the underwriting of the costs of the North West pipe-line the Authority may serve a notice on the Licensee setting out the reasons for its view that the Licensee has failed to fulfil this obligation and requiring the Licensee to provide such further evidence as it deems necessary within such period (being not less than 30 days) as it deems appropriate. In assessing whether the contract is adequate the Authority and the Department will take into account:

(a) the financial strength of the undertaking which has agreed to underwrite the costs of the North West pipe-line; and

(b) the proposed level of guaranteed revenue resulting from the contract.

2.2 Where the Licensee fails to comply with the requirements of a notice issued under Condition: 2.1 within the time specified in the notice the Authority may at any time thereafter revoke the Licence by not less than 30 days' notice to the Licensee.

3. **<u>Revocation if the North West pipe-line is not operational by a specified date or the Licensee ceases to carry on the licensed business</u>**

3.1 The Authority may at any time by not less than 30 days' notice to the Licensee revoke the Licence if:

(a) the North West pipe-line is not operational by 31^{st} December 2004; or

(b) the Licensee has not commenced carrying on its business in the conveyance of gas within 3 months of the date specified in (a) or thereafter ceases for a period of 3 months to carry on its business in the conveyance of gas; provided that the Authority may at any time substitute a later date or a longer period for any date or period specified in this paragraph where reasonably satisfied that exceptional circumstances which could not have been reasonably foreseen by the Licensee have prevented, or could reasonably be expected to prevent, the carrying on of the relevant business.

4. **<u>Revocation of Licence if Licensee does not have title in assets of business</u>**

4.1 The Licensee shall acquire ownership of the relevant assets (as the same are defined in Condition 1.12.6) required for the conduct of its Licensed Business and save as is permitted under Conditions 1.11 and 1.12, if the Licensee does not have ownership of the relevant assets required for the conduct of its Licensed Business under the Licence, then the Authority may at any time by not less than 30 days' notice to the Licensee revoke the Licence for such Licensed Business.

4.2 For the purposes of this paragraph 3 of this Schedule 2 the Licensee shall own a relevant asset if it could not otherwise be treated as having been disposed of (as disposal is defined in Condition 1.12.6).

5. **<u>Licensee's deemed ability to pay its debts</u>**

5.1 For the purposes of paragraph 1(e)(i) of this Schedule 2, Article 103(1)(a) of the Insolvency (Northern Ireland) Order 1989 shall have effect as if for "750" there was substituted “250,000" or such higher figure as the Authority may from time to time determine by notice in writing to the Licensee.

5.2 The Licensee shall not be deemed to be unable to pay its debts for the purposes of paragraph 1(e)(i) of this Schedule 2 if any such demand as is mentioned in Article 103(1)(a) of the Insolvency (Northern Ireland) Order 1989 is being contested in good faith by the Licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1 of this Schedule 2.

6. **<u>Additional definition</u>**

For the purposes of paragraph 1(f) of this Schedule 2, there is a change in the control of the Licensee whenever a person obtains control of the Licensee who did not have control of the Licensee when this Licence was granted; and section 450 (as read in conjunction with section 451) of the Corporation Tax Act 2010 shall apply for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, but at any time should no person have control then for the words "the greater part" wherever they occur in the said section (450) there shall be substituted the words "one-third or more".

Note: (does not form part of the Licence)

Consolidated to include

1. Energy Order modifications - Sept 03

2. Energy Order modifications - April 04

3. Postalisation modifications - October 04

4. Modification to Postalisation Conditions – 23 June 06 – (signed copy of modification)

5. EU Directive 2003/55/EC 16th November 2007

6. Condition 2.2 modifications and Annex A insertion – July 2008

7. Licence modification of condition 1.13 Payment of fees to the Authority – August 2012

8. Licence modification of condition 2.2 and Part 2A – 29 June 2012

9. Licence modifications following 3rd Energy Package – 30 April 2013

10. Licence modification of Condition 2.2 and Part 2A for CMP – 15 Jan 2014

11. Licence modifications following 3rd Energy Package – 28 March 2014

12. Licence modifications of Standard Condition Part 2A – 14 May 2015

13. Licence modifications due to LMA Regulations (Appeals to the CMA) – 04 August 2015

14. Licence modifications following FOU certification decision – 08 April 2016

15. Licence modification to include condition 2.4B - Compliance with European Requirements and Part 2A licence modifications - 09 June 2016.

16. Licence modification to condition 2.2 Annex A – changes to the rate of return formula and definitions – 24 August 2016.

17. Licence mods to update definition of domestic consumer and provide new definitions of domestic and non-domestic premises and non-domestic consumers – 01 September 2016.

18. Licence modifications following GT17 – 01 August 2017

19. Licence modification to insert condition 2.17 and 2.4D for the implementation of single system operations – 05August 2017

20. Revised postalised tariff setting timetable – effective 15th January 2018

21. Licence Modifications to standardise the connections condition and consequential modifications effective 25th June 2018.

22. Modification adding Condition 2.1A Supplier of Last Resort. Decision paper and Notice of modification published on the 4th July 2018 and modification became effective on 31 August 2018.

23. Revised percentages for capacity commodity split and updated publication requirements to implement Tariff Network Code, effective 6 June 2019.

24. Licence tidy-up involving removal of Condition 2.4 and amendment of Conditions 2.2.22, 2.2 Annex A No. 2, 2.2 Annex A No. 3 and 2A.4.3.1. Decision paper and Notice of modification published on the 24th June 2019; modification became effective on 19th August 2019.

25. Licence modifications to provide updated timetable for publication of the statement under Condition 2.10 ahead of gas year, determine responsibility for publication of the statement by Transmission System Operators and to provide for a single statement to be published via co-ordination between Transmission System Operators. Modifications became effective 21st July 2022.

26. Licence modifications to Gas High Pressure Licences for Enduring Stranraer Arrangements, Haynestown Enduring Arrangements and other minor amendments became effective 12th June 2025.

27. Licence modifications to Condition 1.3 Provision of Information to the Authority. This removes the exemption from Article 7 of the Gas Order 1996 and thereby allows Article 7 to apply in full. Licence modification decision notice published on 23rd September 2025 with effective date of 18th November 2025.