

Proposed BGE licence drafting for postalisation**Condition 2.2: Conveyance Charges, Other Terms for the Conveyance
of Gas and the Provision of Conveyance Services**

This condition shall replace the existing 2.2.1.1 clause

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 the Total Conveyance Revenue shall not exceed the Total Allowed Conveyance Revenue for that year calculated in accordance with the Formula or, at any time when the Formula is not in place, in accordance with the principles set out in Condition 2.2.1.2.
- (b) Subject to Condition 2.2.1(c), 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 a Designation Order is and remains in force in respect of the Network, the Licensee shall ensure that its Forecast Required Revenue and Actual Required Revenue to be notified to the Authority and the Postalised System Administrator in accordance with paragraphs (d) and (f) shall be calculated in accordance with the Formula.
- (c) In respect of the first Gas Year commencing on or after the Designation Date (the "First Gas Year") the Licensee's Forecast Required Revenue and Actual Required Revenue for the purposes of Part 2A of the Licence shall be as determined by the Authority, following consultation with the Licensee, in accordance with the principles set out in Condition 2.2.1.2 provided that:
- (i) the Forecast Required Revenue and Actual Required Revenue shall include an allowance for the Postalisation Adjustment, if applicable; and
 - (ii) shall be reduced pro rata accordingly to the ratio of Coolkeeragh supplier estimated postalisation payment in the first gas year contribution to the Coolkeeragh supplier estimated postalisation payment in the following gas year, determined by the Authority.
- (d) No later than the first Business Day in July 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

- (e) 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.
- (f) No later than the fifteenth Business Day in July in any such Gas Year referred to in sub-paragraph (d) the Licensee shall provide to the PSA with its calculation of Forecast Required Revenue in respect of the next Gas Year.
- (g) For all purposes the Licensee's Forecast Required Revenue and Actual Required Revenue shall be the same figure.
- (h) Upon introduction of the Formula the Forecast Required Revenue for the First Gas Year shall be re-calculated in accordance with the Formula. If the figure so calculated differs from the Forecast Required Revenue for the First Gas Year determined in accordance with (c) above the difference shall be added to, or subtracted from (as appropriate), the Forecast Required Revenue for the Gas Year immediately following the First Gas Year.

(i) Postalisation Adjustment

In each Gas Year a Postalisation Adjustment figure shall be calculated. The Postalisation Adjustment for the purposes of the determination of Total Allowed Transmission 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 Conditions 2.2.1(i)(i) to 2.2.1(i)(iii) inclusive together with any other amounts deemed by the Authority to be necessary or appropriate, to be determined in accordance with the procedure set out in Condition 2.2.1(i)(iv):

- (i) costs associated with the PSA and trustee;
- (ii) amounts due in respect of Commodity Reconciliation Payments, calculated according to the following formula:-

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

where, for the purposes of this Condition 2.2.1(i):

UNRPT_{t-2} = un-recovered postalisation payments as calculated by the PSA;

- CPI_t = the forecast of the absolute value of the Consumer Prices Index for the Gas Year t , as published in the preceding year's May edition of the Bank of England Inflation Report or where no such forecast is published, such other forecast as the Authority may after consultation with the Licensee determine to be appropriate in the circumstances;
- 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 the Gas Year $t-2$, or if such index is no longer published such comparable alternative as the Authority deems appropriate;
- ARR = in respect of a Gas Year, the Licensee's Actual Required Revenue, which shall be equal to its Total Allowed Transmission Revenue as determined in accordance with the Formula;
- PS ARR = in respect of a Gas Year, the sum of the Actual Required Revenues (as defined in their respective licences) of all Designated Pipe-line Operators in respect of such Gas Year;
- 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 the preceding Gas Year, plus 2% minus CPI_t ;
- (iii) such amount as the Authority may 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.
- (iv) (aa) No later than 1st June in each Gas Year, the Licensee shall submit to the Authority a proposed figure for the Postalisation Adjustment, together with any information it feels necessary to justify that figure.
- (bb) If the Authority, following verification and consideration of such additional information as may be submitted by the Licensee, approves the Licensee's proposed Postalisation Adjustment, then the figure submitted by the Licensee pursuant to Condition

2.2.1(i)(iv)(aa) shall be the Postalisation Adjustment for the purposes of determining Total Allowed Transmission Revenue.

- (cc) If the Authority, following verification and consideration of such additional information as may be submitted by the Licensee, considers that the Licensee's proposed figure should be approved subject to modification, then the figure submitted by the Licensee pursuant to Condition 2.2.1(i)(iv)(aa), as modified in the manner notified to the Licensee by the Authority following consultation with the Licensee, shall be the Postalisation Adjustment for the purposes of determining Total Allowed Transmission Revenue.

All other existing provisions to remain the same except:

- 'Formula Year' to be changed to 'Gas Year' throughout; and
- Condition 2.2.1.3(a) to be changed to read:

2.2.1.3 (a) the Licensee shall co-operate with the Authority in the development of a formula for the calculation of Total Allowed Conveyance Revenue, reflecting the principles set out in Condition 2.2.1.2. Subject to the following paragraphs of this Condition 2.2.1.3 the Authority may, following consultation with the Licensee and any other persons likely to be affected by the modification and having considered any representations or objections duly made and not withdrawn, by notice in writing to the Licensee (a "Formula Notice") on or before 01 October 2005 modify this Condition 2.2 for the purpose of introducing the Formula;