

John French  
firmus energy  
Units A4 & A5  
Kilbegs Business Park  
Antrim  
BT41 4LZ

18 January 2013

Dear John

**Additional Development Plan (ADP) - Clanmill from St Pauls Bessbrook, Electoral Wards of 95VV06 Camlough, and 95VV03 Bessbrook**

Thank you for your submission of an Additional Development Plan (ADP) and supporting information to connect the Clanmill New Build and other, mainly domestic connections as submitted in your plan.

As detailed in your licence under Condition 3.1, you seek approval of this ADP in order that the Electoral Wards of Camlough and Bessbrook in Newry & Mourne District may become Additional Development Areas.

We have now reviewed your submission and, based on your assumptions which we consider to be reasonable, we are satisfied that the proposed connections are economic. This is on the basis that you are committed to delivering the forecast volumes as set out in your submission.

Please therefore accept this letter as formal approval of the ADP. You now have the right to develop and operate a gas conveyance network in the Electoral Wards of Carnlough and Bessbrook. Please ensure that the annual targets set out in your ADP's are incorporated into your cumulative development targets against which you report to us in your Annual Development Plan.

As defined in your licence, when an Electoral Ward becomes an Additional Development Area it becomes part of the firmus Licensed Area and the Exclusive Area. However we are granting approval of the ADP on the condition that this exclusivity will be subject to adjustment in the future if we believe it would be consistent with our statutory duties to make amendments to allow other distribution companies to convey gas in any of these Electoral Wards. For example this may be appropriate in another geographical area of any the Wards where firmus do not convey gas. For the avoidance of doubt, exclusivity is also subject to the limitations set out in condition 2.1 (a) of Schedule 3 of the firmus licence.

**Cost allowances**

Having reviewed the estimated cost of bringing gas to the Newry area, we will allow an additional sum of £75,945 (January 2006 prices) for the connections outlined at the start of this letter. We will be adding these 2013 volumes to your PCRO2 Price Control. Beyond that date volumes will be dealt with through the normal Price Control mechanism.

## Implementation

This will require the construction of a 'retrospective mechanism' that will log-up and log-down any additional allowances owed to you from, or owed by you to, customers. The mechanism will allow us to calculate an appropriate adjustment to make to the opening value of your asset base at the forthcoming price control. This adjustment will have the equivalent effect of adding to, or subtracting from, your PCR02 allowances for new connections or for capex deferrals.

In accordance with licence condition 3.2.12(a)(ii) and 3.2.12(b)(ii), please ensure the Additional Development Plan named above is published on your website within one month from the date of this letter.

We trust this letter is clear, but if you require any clarifications please feel free to contact the office. We look forward to continuing our work with firmus energy to ensure the economic and efficient development of the natural gas industry in Northern Ireland.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. McHugh', with a stylized flourish at the end.

Brian McHugh  
Gas Director