

## THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION

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### BGE (UK) LICENCE MODIFICATION NOTICE

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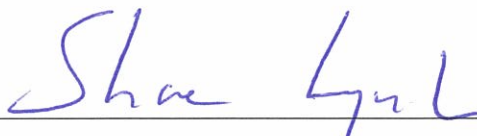
#### WHEREAS:-

- 1) On 18 May 2012 the Northern Ireland Authority for Utility Regulation (the “**Authority**”), in accordance with Article 14(3) of the Gas (Northern Ireland) Order 1996 (the “**Order**”), gave notice:-
  - a) stating that it proposed to make modifications to the conditions of the gas conveyance licence held by BGE(UK) Ltd (the “**Licensee**”) under Article 8(1)(a) of the Order;
  - b) setting out the effect of the proposed modifications;
  - c) stating the reasons why it proposed to make those modifications; and
  - d) specifying the period within which representations or objections with respect to the modifications may be made.
- 2) The Authority has considered the representations or objections with respect to the proposed modifications which were made and not withdrawn.
- 3) The Licensee has consented to the making of the proposed modifications.

#### NOW:-

In pursuance of its powers under Article 14(1) of the Order:-

- 1) the Authority hereby gives notice of the modification of the conditions of the gas conveyance licence held by the Licensee under Article 8(1)(a) of the Order;
- 2) the modifications proposed are shown in redline or in strikethrough on the version of Condition 2.2 and Part 2A as set out in Schedule 1 below; and
- 3) the modifications shall take effect on 1 July 2012.



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Shane Lynch

For and on behalf of the Northern Ireland Authority for Utility Regulation

Dated the 29 of June 2012

cc. Fiona Hepper, DETI

John Barry, BGE (UK) Ltd.



## **SCHEDULE 1**

### **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;
“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;
“CER” or “Commission”	means the Commission for Energy Regulation established pursuant to Section 8 of the Electricity Regulation Act, 1999;
<u>“Consumer Price Index” or “CPI”</u>	<u>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;</u>
<u>“Controllable Capital Expenditure”</u>	<u>means Capital Expenditure other than Uncontrollable Capital Expenditure;</u>
<u>“Controllable Capital Expenditure Estimate”</u>	<u>has the meaning given to that term in Condition 2.2.2;</u>

“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 <b>Error! Reference source not found.</b> of Annex A;
“CRR Variables”	has the meaning given to that term in Condition 2.2.5 (b);
“Economic Network”	means the North West Pipeline, the South North Pipeline, and the Spurs taken together;
“EURIBOR”	means the Euro Interbank Offered Rate as published in the Financial Times from time to time and is the rate of interest at which panel banks borrow funds from other panel banks in the EU interbank market and which will be an annual rate unless otherwise stated;
“Expenditure”	<p>means the expenditure reasonably and properly incurred by the Licensee in the development, construction, maintenance and operation of the Economic Network so as to enable the Licensee to provide conveyance services in an economically efficient and safe manner, but excluding:</p> <ul style="list-style-type: none"> <li>(i) expenditure relating to tax, financing and other returns to investors; and</li> <li>(ii) expenditure that is recoverable under Conditions 2.3 and 2.5;</li> </ul>
“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 Amendments”	has the meaning given to that term in Condition 2.2.5 (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;
“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 1 <sup>st</sup> 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, <u>as such list may be amended, supplemented or varied from time to time;</u>
“Unforeseen Operating Expenditure”	means any <u>Operating Expenditure</u> incurred or to be incurred in a Gas Year and not accounted for in the <u>Allowed Operating Expenditure figure for that Gas Year;</u>
“Verified Controllable Capital Forecast”	means that <u>Controllable Capital Expenditure</u> determined to be such by the Authority in accordance with Condition 2.2.2 (b);
<u>“STC/VRF Revenue”</u>	<u>means in respect of any Gas Year, the cash amounts actually received by the Licensee for the provision of the STC / VRF Services in that Gas Year, after deduction of value added tax (if any) and any other taxes based directly on the amounts so received</u>

associated expressions may, where appropriate, include actual or forecast expenditure or revenue incurred or earned outside Northern Ireland.

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

#### **2.2.22 STC/VRF Revenues Information**

2.2.22.1 The Licensee shall report to the Authority on an annual basis in each Gas Year not later than the tenth Business Day in November details of the Licensees STC/VRF Revenues in the preceding Gas Year.

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 STC/VRF Revenues and the report provided to the Authority by the Licensee in accordance with Condition 2.2.22.1.

2.2.22.2 The Authority may, following verification, by notice to the Licensee in respect of the figures in the Licensee's report submitted in accordance with Condition 2.2.22.1:

- (i) approve the figures in the report as the STC/VRF Revenues for the relevant Gas Year; or
- (ii) determine as the STC/VRF Revenues for the relevant Gas Year such amended figure as the Authority considers appropriate.

provided that before making any amendments to the figures in the report, the Authority shall provide details of the amendments and the reasons for them.

#### **Annex A of condition 2.2 Actual required revenue formula**

## 1. Formula

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

$$ARR_t = CRR_t^p + O_t - SI_t + PA_t - \underline{G_t}$$

where:

**ARR<sub>t</sub>** is the Total Allowed Conveyance Revenue or Actual Required Revenue in Gas Year t;

**CRR<sub>t</sub><sup>p</sup>** is the capital revenue requirement for the pipeline, p in Gas Year t, as calculated in paragraph 2 of this Annex;

**O<sub>t</sub>** is the inflation adjusted allowed operating expenditure for Gas Year t, as calculated in paragraph 3 of this Annex;

**SI<sub>t</sub>** is the supplemental income for Gas Year t, as calculated in paragraph 4 of this Annex;

**PA<sub>t</sub>** 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; and

**G<sub>t</sub>** in respect of any Gas Year, the STC/VRF Revenues for such Gas Year as defined in condition 2.2.19.

## **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:

“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 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 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;
“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;
“Capacity Percentage”	shall have the meaning ascribed to that term in Condition 2A.2.5.2(a);
“Capacity 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 Capacity Charge and the Year-End Postalised Capacity Charge applied to a Gas Year;
“Commodity Percentage”	shall have the meaning ascribed to that term in Condition 2A.2.5.1(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;
“Credit Committee”	means the committee which is convened and operates in accordance with the Terms of Reference;
<u>“Daily Capacity”</u>	<u>means capacity (in kWh / day) which has been allocated for a duration of one Day on a firm basis in accordance with the provisions of the Network Code and / or the Network Code of any other Designated Pipe-line Operator (and, for the avoidance of doubt, shall not include any capacity which is allocated for a duration of other than one Day).</u>
“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;
“Exit”, “Exiting”	or forms thereof, refers to the offtaking of gas at an Exit Point;
“Exit Point”	means a point on the Designated Network at which gas is offtaken from the Designated Network by a Gas Supplier, which is not a Transit Point and which constitutes an Exit Point under the Network Code;
“Exit Quantity”	means the total quantity of gas, (measured in kWh) allocated to the Licensee’s relevant Gas Supplier in respect of an Exit Point within a certain period, or any applicable Minimum Quantity Value in respect of such period, if higher;
“Firm Capacity”	means, at any relevant time in respect of a Gas Supplier, capacity (in kWh/day) held at such time by such Gas Supplier on a firm basis in respect of an Exit Point in accordance with the provisions of the Network Code and in respect of a Gas Year (or any part thereof); except that if any Minimum Capacity Value in respect of such period and such Gas Supplier is greater than such held capacity then the Firm Capacity deemed to be held by such Gas Supplier shall be that Minimum Capacity Value <u>but shall not include Daily Capacity</u> ;

“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 Capacity Charge”	means a charge in respect of each kWh/day of Initial Firm Capacity held by the Licensee’s Gas Suppliers in respect of an Exit Point in a Gas Year which shall be calculated in accordance with Condition 2A.2.5.2;
“Forecast Postalised Charges”	means a Forecast Postalised Commodity Charge and a Forecast Postalised Capacity Charge;
“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.2.5.1;
“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 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 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;
“GS Annual Exit Quantity”	shall have the meaning ascribed to that term in Condition 2A.2.6.3(b);
“GS Firm Capacity”	means the Firm Capacity held by a Gas Supplier in respect of all 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 Capacity is held in such Gas Year and divided by 12
“Initial Firm Capacity”	means the total of all Firm 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 except the Gas Year commencing 01 October 2004 where Initial Firm Capacity shall mean the total of all Firm Capacity (in kWh/day) in respect of a Gas Year, such figure to be determined by the Authority no later than 30 September 2004;
“Invoice Date”	means the tenth Business Day in a month;
“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;
“MDQ”	means the maximum quantity of gas which may be offtaken from an Exit Point by a Gas Supplier in any day in respect of the Firm Capacity held by that Gas Supplier under the Network Code;
“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;



“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”	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 Commodity Payment”	means an amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.1(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 Payment Month”	means a month in which a relevant PS Non-Payment occurred;
“Postalised Charges”	means the Forecast Postalised Charges and/or the Year-End Postalised Charges as the case may be;
“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.2.6.1;
“PS Forecast Annual Quantity”	shall have the meaning ascribed to that term in Condition 2A.2.5.1;
“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 Initial Firm Capacity”	shall have the meaning ascribed to that term in Condition 2A.2.5.2;
“PS Non-Payment”	means: <ul style="list-style-type: none"> <li>(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</li> <li>(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</li> </ul> <p>as the context requires but shall not apply to any sums due under the Network Code upon termination of a PS Gas Supplier’s Accession Agreement in respect of periods after the date of termination;</p>

“PS Notified Debt”	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 Conditions 2A.2.2.1 (Monthly Postalised Payments); 2A.2.2.2 (Debt Payments); and 2A.2.2.3 (Reconciliation Payments); 2A.2.5.1(c) (Auxiliary Payments) and 2A.2.6.4 (Supplemental 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 06:00 hours 01 October until 06:00 hours 01 January in that Gas Year; and “Quarterly” shall be construed accordingly;
“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 Condition 2A.2.6.3 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.2.5.4;
“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”	<p>means each of the following businesses of the Licensee (as appropriate):</p> <ul style="list-style-type: none"> <li>(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;</li> <li>(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</li> <li>(iii) the supply of gas pursuant to a licence granted in accordance with Article 8(1)(c) of the Order</li> </ul> <p>each taken separately from one another and from any other business of the Licensee or any affiliate or related undertaking of the Licensee;</p>
“Supplemental 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 transmission through the Postalised System and which is calculated otherwise than on the basis of a minimum quantity of gas or minimum quantum of capacity;
“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;
“Transit”, “Transiting”	or forms thereof, refers to the conveyance of gas through the Designated Network to another part of the Postalised System;

“Transit Point”	means a point of interconnection between the Designated Network and another pipe-line forming part of the Postalised System;
“Trust and Account Bank Agreement”	means the agreement in the form approved by the Authority and made between the Designated Pipe-line Operators, the Trustee and account bank which governs the operation of the PoT Account;
“Trustee”	shall have the meaning ascribed to that term in Condition 2A.5.1.1;
“Trustee Functions”	shall have the meaning ascribed to that term in Condition 2A.5.3.1;
“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);
“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 Capacity Charge”	means a charge applicable to each kWh/day of Firm Capacity held by each Gas Supplier for Exit from any part of the Designated Network in respect of a Gas Year in accordance with Condition 2A.2.6.2;
“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.2.6.1.

#### **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:

- (a) the Licensee shall be entitled to invoice for any Postalised Charges in the unit of Mwh or Mwh/day, subject to the Authority's consent; and
- (b) where any measurement is to be expressed in Kwh or Kwh/day the Licensee may satisfy such obligations by using the Kwh or Kwh/day equivalent of a measurement expressed in Mwh or Mwh/day as the case may be;

## **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 and in Conditions 2A.1.6 to 2A.1.16:

- (a) "Day", MDQ, 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;
- (b) "Gas Year 2011 / 12" means the Gas Year which commenced on 1 October 2011;
- (c) "Gas Year 2012 / 13" means the Gas Year commencing on 1 October 2012;

- (d) "Gas Year 2013 / 14" means the Gas Year commencing on 1 October 2013; and
- (e) The "**Threshold Amount**" or "Threshold Quantity" means an amount or quantity equal to 5% of the aggregate of the MDQs represented by Firm Capacity (as defined in 2A.1.1) allocated at Exit Points on the designated Network

2A.2.1.6 The Licensee shall offer:

- (a) firm and interruptible third party access services down to a period of one day; and
- (b) an interruptible virtual reverse flow service,

(the services referred to in (a) and (b) above being respectively the "**Short Term Capacity Service**" (or the "**STC Service**") and the "**Virtual Reverse Flow Service**" (or the "**VRF Service**") and together the "**STC / VRF Services**") and, in order to facilitate the provision of the STC/VRF Services, this Licence has been modified by the incorporation of the Conditions numbered 2A.2.1.5 to 2A.2.1.16 (such Conditions being together the "**Short Term Capacity / Virtual Reverse Flow Conditions**" (or the "**STC / VRF Conditions**") and the remaining Conditions of this Part 2A being the "**Postalisation Conditions**").

Modifications having equivalent effect have been made to the Respective Licences of each other Designated Pipe-line Operator.

2A.2.1.7 In applying or giving effect to the Conditions in this Part 2A

- (a) it shall be conclusively presumed that the amounts payable to the Licensee in respect of the charges described in Condition 2A.2.1.9 (and the amounts payable in respect of the like charges described in the corresponding Condition of the Respective Licences of the other Designated Pipe-line Operators) do not constitute PS Transmission Payments and are not to be paid into the PoT Account;



- (b) it shall be conclusively presumed that Daily Capacity allocated pursuant to the Network Code (and / or, as the context requires, the Network Code of any other Designated Pipe-line Operator) does not constitute (and shall not be taken into account in any calculation of) Actual Firm Capacity, Firm Capacity, GS Firm Capacity, Initial Firm Capacity or PS Initial Firm Capacity; and
- (c) any gas which is allocated to a Gas Supplier at any Exit Point on the Designated Network pursuant to any use of the VRF Service shall be disregarded in any calculation of Exit Quantity, Annual Exit Quantity, Forecast Supplier Quantity, Forecast Annual Quantity, GS Annual Exit Quantity, Gas Suppliers' Exit Quantities, PS Forecast Annual Quantity or PS Annual Exit Quantity either as defined in this Licence or the Respective Licence of any other Designated Pipe-line Operator which falls to be made pursuant to the Postalisation Conditions.

2A.2.1.8 The following provisions shall also apply:

- (a) subject to (c) below, each Gas Supplier shall, in respect of each kWh of gas which is allocated to that Gas Supplier at any Exit Point on the Designated Network, be liable to pay the same commodity based charge as each other Gas Supplier for whom gas is exited anywhere on the Designated Network, irrespective of whether the Gas Supplier's entitlement to the allocation of gas arises from the utilisation of Firm Capacity (as defined in Condition 2A.1.1) or from the utilisation of Daily Capacity or Available Interruptible Capacity allocated pursuant to the Network Code;
- (b) such commodity based charge shall constitute PS Transmission Payments for all the purposes of this Licence and the respective licences of the other Designated Pipeline Operators, without in any way limiting the foregoing, (i) the Licensee shall require all of its Gas Suppliers to make all payments in respect of such charge into the PoT Account and (ii) the Licensee shall pay all sums which it receives directly from, or on behalf of, any of its Gas Suppliers in respect of such charges into the PoT Account; and

- (c) no commodity based charge (or, other than as referred to in Conditions 2A.2.1.9(b) or 2A.2.1.11, any other 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 charge each of its Gas Suppliers to whom it provides the STC / VRF Services the following amounts, namely:

- (a) in respect of each kWh / day of Daily Capacity which is allocated in respect of a given Day, an amount equal to the capacity charge per kWh applicable for that Day, as determined pursuant to the charging methodology statement approved by the Authority pursuant to Condition 2A.2.1.10 for the Gas Year in which that Day falls; and
- (b) 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 charging methodology statement approved by the Authority from time to time.

2A.2.1.10 Not later than the date on which this Licence is modified by the incorporation of this Condition, the Licensee shall publish a charging methodology statement approved by the Authority (and in a manner so approved) showing the charges referred to in Condition 2A.2.1.9(a) and (b) in respect of (i) the Day which commences on 1 July 2012 and each subsequent Day in the Gas Year 2011 / 12 and (ii) each Day in the Gas Year 2012 / 13. The Licensee shall, not later than 1 July in the Gas Year 2012 / 2013 and in each subsequent Gas Year, publish a charging methodology statement approved by the Authority (and in a manner so approved) showing the charges referred to in Condition 2A.2.1.9(a) and (b) in respect of each Day in the forthcoming Gas Year.

2A.2.1.11 . 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 STC / VRF Services any PS



Code Charges which are payable by that Gas Supplier in respect of the STC / VRF Services pursuant to the Network Code.

2A.2.1.12 Notwithstanding any Condition of this Licence which may otherwise prohibit it from doing so, the Licensee shall apply charges in respect of the STC / VRF Services in accordance with the STC / VRF Conditions and the relevant provisions of the Network Code and (if and to the extent such would otherwise would be the case) the application of such charges shall not constitute a contravention of any of the Conditions of this Licence. The Conditions of this Licence (other than the STC / VRF Conditions) shall accordingly be read and given effect to accordingly.

2A.2.1.13 For the avoidance of doubt, the charges described in Condition 2A.2.1.9 shall not be subject to reconciliation or other adjustment on any ground following the end of a Gas Year (including the ground that forecast costs or other amounts differ from the corresponding outturn costs or other amounts).

2A.2.1.14 If the aggregate of the MDQs represented by Daily Capacity allocated at Exit Points on the Designated Network in respect of any period of twelve (12) consecutive months exceeds the Threshold Amount (or is forecast by the Licensee to be exceeded in respect of any period of twelve (12) consecutive months) the Licensee may give notice to the Authority stating that the Licensee wishes to secure the making of modifications to this Licence and the Network Code (and to the Respective Licences and Network Codes of other Designated Pipeline Operators) which will have the effect that the amounts payable to the Licensee in respect of such charges are postalised and brought within the regime for postalised charging applicable under the Postalisation Conditions (such modifications being the “required modifications”)

2A.2.1.15 The Authority may at any time (and irrespective of whether or not the circumstance described in Condition 2A.2.1.14 has occurred) give notice to the Licensee stating that the Authority wishes to secure the making of the required modifications.

2A.2.1.16 If the Licensee gives notice pursuant to Condition 2A.2.1.14 or the Authority gives notice pursuant to Condition 2A.2.1.15, the Licensee shall co-operate with the Authority in taking and implementing the steps which are necessary in order to secure the making of the required modifications.