

Gas Network Extensions Northern Ireland

Gas to the West – Clarifications (1 – 75)

N°	Clarification	Utility Regulator Response
1	<p>Applicant Information Pack, section 4.19 and the weighting criteria, and the published criteria for gas licence applications and applications for consent to construct major-pipe-lines, gas storage or LNG facilities, sections 3.17, 3.18 & 3.21</p> <p>Is there a further breakdown of the percentage allocation i.e. Applicant Determined Costs, Operational Business Plan and Innovation and Technology Transfer?</p>	<p>The Published Criteria set out the marking scheme which the Authority is required to following when judging applications.</p> <p>Section 3.14 (b) of the criteria provides the breakdown for application determined costs, operational business plan and innovation and technology transfer. There is no further breakdown.</p>
2	<p>In the workbooks the capital expenditure is three years for transmission and three years for distribution, could the overall programme be considered as six years? If the three years are exceeded in transmission or distribution how will the costs be treated or would there be penalties applied?</p>	<p>The high pressure workbook assumes a capital expenditure period of three years between the award of licence and first commencement date.</p> <p>The low pressure workbook assumes a capital expenditure period of forty years from the first commencement date.</p> <p>These workbooks make these assumptions purely for the purpose of the competition. It is recognised that, in practice capital expenditure on the high pressure network may continue after the first commencement date, and that capital expenditure on the low pressure network may begin before the first commencement date.</p>
3	<p>Conclusions Paper, section 2.41 & 2.42. It is stated operating expenditure costs will not be competed on, and applicants should set out their proposals in the Operational Business Plan. The Operational Business Plan is weighted as 40%; therefore will the Opex costs be assessed under this heading or is it the intention that the successful applicant would undergo an Opex</p>	<p>Paragraph 2.41 states clearly that operating expenditure will not be considered as part of the application process for the high pressure licence.</p> <p>Paragraph 2.42 relates to a situation where an applicant has indicated that their application has been made assuming an operating cost pass through form of control. In this case the applicant will need to include in ‘other costs’ any costs relating to the establishment of arrangements to</p>

	<p>price control process at some point between the award of the licence and the first operational commencement date, at which point costs will be revealed?</p>	<p>ensure that the pass through model cannot be used to the detriment of consumers. Applicants will need to justify these establishment costs in their Operational Business Plan.</p> <p>The process by which operating cost allowances will be established following the grant of licence will be dependent on whether the successful applicant has chosen a ‘revenue cap’ or ‘cost pass through’ form of control with regard to operating costs.</p> <p>Those applicants choosing the ‘revenue cap’ option should expect that operating cost allowances will be determined in advance of the pipeline beginning commercial operations by means of a price control process.</p>
<p>4</p>	<p>In the excel workbook, capital expenditure for construction is hardwired in, does this include construction supervision or is construction supervision to be competed on in the design and project management section?</p>	<p>In the case of the high pressure workbook:</p> <p>All costs of work required by the licence holder to supervise construction including technical or cost assurance, design of the works, management or supervision of the construction contract, vetting the proposals of the contractor or vetting the statements issued by the contractor for payment should be included in the ‘design and project management cost’.</p> <p>As part of the operational business plan, the applicant should include a clear statement of these costs in its application, including quantum, and explain the scope of these services and identify any of these services it plans to procure through another party.</p>
<p>5</p>	<p>Applicant Information Pack, section 4.6 VII, Is it correct the applicant publishes in the newspapers post submission of the application? Is proof of publication required i.e. submission of newspaper notices</p>	<p>Yes, it is correct the applicant publishes in the newspapers post submission of the application.¹</p> <p>Yes, proof of publication is required and a copy of the publication should be sent to the Utility Regulator as soon as is</p>

¹ The Gas Order, section 8 (3)

	to the Utility Regulator within 14 days of publication?	practicable after publication.
6	Applicant Information Pack, section 4.6 V, Bearing in mind the newspapers may publish on different dates, should the newspapers notices appear as reasonably close as practical .i.e. within few days of each other?	This is not a stipulated requirement. However it would be a sensible approach to publish the notices as close to each other in time as is reasonably practical.
7	Applicant Information Pack, section 4.6 IV, Is there any restriction on email sizes accepted by Utility Regulator? Can softcopies of application be submitted on CD in addition to 3 hardcopies if required?	In order for the application to fall within the deadline both the hard copies and the electronic copy, must have been received by 12.00 noon on Tuesday 6 May 2014. Should an applicant wish to provide an electronic copy of their application on a CD ROM rather than by email, this will be deemed as acceptable by the Utility Regulator. In relation to email sizes, we advise that should these be greater than 50 MB the applicant should discuss this with us in advance so that we might have time to make the necessary arrangements.
8	The following question relates to the capital expenditure special conditions in the high pressure licence. Please can UR confirm the intended application of the pain gain sharing mechanism including: <ul style="list-style-type: none"> • When the setting of capex allowances will take place? • Will these allowances be the final allowances that will be used for the purposes of applying the pain gain sharing mechanism? • Will the contingency figure included in the bidders case be added to any allowable capex or will it be subject to determination as part of allowable capex? • When the process of applying the pain gain sharing mechanism will 	Paragraph 3.16 of the Applicant Information Pack addresses the timing of setting capital expenditure allowances in the high pressure licence. <i>In relation to the timing of the setting of capex allowances we plan to do so after materials have been purchased and after the construction tender has been completed in line with previous high pressure pipelines projects.</i> These allowances for controllable capital expenditure will be the final allowances which will be used for the purpose of applying the pain gain mechanism. It is our intention that the contingency costs revealed in the licence application process should as far as is reasonable be reflected in the determination of final allowances. The pain gain mechanism will be applied once the actual level of controllable capital

	<p>take place?</p> <ul style="list-style-type: none"> • How the pain gain sharing mechanism will be implemented including a worked example of how this will be facilitated in practice i.e. demonstrating time periods and costs. 	<p>expenditure incurred has been verified and either approved or determined by us.</p> <p>In paragraph 3.13 of the application information pack we stated that “<i>The sharing factor will be 35 % and symmetrical, i.e. if the licensee under spends they will give 35% of the under spend back, and customers will underwrite 35% of any overspend.</i>”</p> <p>We now wish to correct this statement as it is not based on the GB standard. The corrected last line of paragraph 3.13 should read “<i>The sharing factor will be 35%/65% for example - if the licensee under spends they will give 65% of the under spend back, and customers will underwrite 65% of any overspend.</i>”</p> <p>For example if the controllable capital allowance is set at £100 but the verified actual controllable capital expenditure is £110 then the licence holder will have their final controllable capital allowance adjusted to £106.50. If however the verified actual controllable capital expenditure is £90 then the licence holder will have their final controllable capital allowance adjusted to £93.50. These adjustments will not be subject to any later rolling mechanism.</p>
<p>9</p>	<p>Is there any deadline beyond which questions of clarification will not be answered?</p>	<p>The deadline for receipt of clarification questions will be 12.00 noon on Monday 7 April 2014. This will ensure that all applicants have time to fully consider the responses provided by the Utility Regulator.</p>
<p>10</p>	<p>In the excel workbook, capital expenditure for wayleaves is hardwired in, does this include the administration of the wayleave, i.e. preparation of the wayleave pack, discussions with landowners etc or is wayleave administration to be competed on in the design and project management section?</p>	<p>For the high pressure workbook</p> <p>None of the administrative costs identified in the question should be included in Design and Project Management costs.</p>

11	<p>Security arrangements for Above Ground Installations (AGI), are these to be similar to existing AGI's i.e. electric fences, security cameras etc, or are lighter security arrangements required? Please advise as different levels security will require different levels of design.</p> <p>Will security arrangements be pass through on construction, and design to form part of competition?</p>	<p>For the high pressure licence</p> <p>The security arrangements will need to be established in the usual manner in accordance with all applicable statutory requirements and/or the advice of the competent authorities. It is not the role of the Authority to advise on the nature of the arrangements needed to comply with the requirements/advice.</p> <p>Security-related capital expenditure costs will be classified as a Controllable Capital cost and will be treated as such.</p>
12	<p>In relation to uncontrollable Opex (Sec. 3.21 of Applicant Info Pack), NIAUR states that the licence holder must demonstrate that there has been an “adequate challenge” on business rate assessments to justify. It is normal good commercial practice to seek efficiencies in this area by getting independent valuation and arguing the case with relevant authority. Can NIAUR confirm if this practice would be “adequate challenge” and if not can NIAUR specify what further activities would be required?</p>	<p>The methods that may be used in order to negotiate the most efficient price with the relevant authority will be a matter for the licence holder.</p> <p>The Authority does not propose to state in advance a set of actions that would constitute “adequate challenge” in all cases. It would be for the licence holder to take the appropriate steps and then to demonstrate to the Authority that they were in fact “adequate” in all of the circumstances.</p> <p>Whether this was considered to be the case may depend in part on the outcome that is seen to have been achieved – i.e. whether the business rate assessments appear realistic and efficient.</p>
13	<p>In Annex 7, there is an item <i>costs of establishing arrangements to protect customers from inappropriate behaviour</i> in the “Other Costs” item of the Workbook. How will measures/arrangement to protect customers be evaluated as part of the licence award process and how would this be regulated into the future for a company operating on the basis of operating cost pass through.</p>	<p>For the high pressure licence</p> <p>It is for each applicant to set out what arrangements it intends to put in place to achieve this objective. More detailed discussion can be found in paragraphs 3.25 and 3.26 of the Applicant Information Pack</p> <p>The proposed arrangements will be judged against the Published Criteria in particular those set out in paragraph 3.17 (a) and (c)</p> <p>Should an applicant be awarded the licence</p>

		<p>the regulatory regime, including the licence conditions, will reflect and require the fulfilment of the proposed arrangements.</p>
14	<p>In section 3.29 of the Info. Pack NIAUR states that the WACC will equal, as far as reasonable, the costs revealed by the competitive process particularly for the first price control period. Subsequently, at future reviews the cost of capital will be set using CAPM. How will this review apply where an applicant has chosen to the option to fix cost of capital for a longer period of time? Can the costs be reviewed and if so what would be involved in this review.</p>	<p>In the high pressure licence</p> <p>The licence holder may request that the cost of capital is locked in. However, whether this request was granted, and the level at and length of time for which it was granted, would be determined by the Authority exercising its discretion in accordance with its statutory duties. The Authority would take into account all of the relevant circumstances, and all of the information available to it, at the time of making its decision.</p> <p>As stated in paragraph 3.28 of the Applicant Information Pack, any locking in of the cost of capital would avoid the need for this cost to be included in periodic reviews.</p> <p>Once locked, cost of capital would not be reviewed until the conclusion of the locked in period.</p>
15	<p>NIAUR indicate that the normal price review period is 5 years but that this will be flexible within the licence. Can NIAUR clarify under what circumstances will this “flexibility” be operated and what other time frames might be envisaged? How would this review tie in with existing Price Control/Shadow Price controls for the existing licences?</p>	<p>At each periodic review the Authority will, as part of its overall determination, stipulate the date of the next review. This would be a matter for the discretion of the Authority, in accordance with its statutory duties, taking into account all of the relevant circumstances, and all of the information available to it, at the time of the determination.</p> <p>In making this determination a wide range of factors will be considered, including (in particular) developing best regulatory practice and any need to align periodic reviews across licence holders controlling similar classes of network asset.</p>
16	<p>At what stage in the application process will the Applications be considered binding on the Applicants? Is this once a preferred applicant is identified or upon award/execution of the licence.</p>	<p>Applicants should assume that they will be required to deliver on any and all commitments made as part of their application. The Authority will evaluate applications based on the information provided to it, and therefore expects that</p>

		<p>commitments will only be made within an application if an applicant is willing to be bound by them.</p> <p>However, this necessarily assumes the case of an applicant which proceeds with its application. No person is obliged to participate in the application process, and any applicant may withdraw from the process at any point up to the time at which a licence is granted by the Authority.</p>
17	<p>Can NIAUR confirm that there will no changes to the 'published criteria' during the licence competition phase?</p>	<p>The Published Criteria are set by the Department of Enterprise Trade & Investment (DETI) rather than by the Authority.</p> <p>However, the Authority understands that DETI confirms that the Published Criteria will not be amended during the process.</p>
18	<p>The application requires that a WACC should be bid for the 40 years of the licence. Can NIAUR confirm if any element of the WACC (e.g. Gearing and Return on Equity) will be written into the licence for the full duration of the licence? If not can NIAUR indicate the minimum time period for which the "tender WACC" would remain unchanged in the licence.</p>	<p>The Authority has not set out any proposals to write elements of the WACC into the licence.</p> <p>The Authority has not set out a minimum period for which the "tender WACC" would apply. As set out in the Applicant Information Pack, for both the high pressure licence (para 3.29) and the low pressure licence (para 3.59):</p> <p><i>'It is our intention that the cost of capital will equal as far as reasonable the costs revealed by the competitive process. This will particularly apply in the first price control period. In setting the cost of capital at future reviews we would expect to apply the CAPM model'</i></p> <p>In making future determinations the Authority will take account of the capital structure revealed in the licence application process and whether it remains appropriate. In addition the Authority will consider the level of risk, how market conditions may have changed over time, and all other relevant circumstances.</p> <p>The Capital Asset Pricing Model will be one</p>

		of a number of tools available to the Authority that is likely to have some use in making these various assessments.
19	Who is the cheque for the fee made out to? Is VAT to be included?	The cheque should be made out to 'Northern Ireland Authority for Utility Regulation'. VAT is <u>NOT</u> to be included.
20	In Section 3.28 of the info pack it is outlined that the licence may contain a cost of capital that is periodically reviewed or one where it is fixed over a longer period of time. Can NIAUR explain specifically how it intends to assess the costs on a like for like basis and also indicate which is the preferred approach?	In regard to the high pressure licence It is proposed that the licence condition allowing for the possibility of locking in the cost of capital will be included as a condition of the licence of any successful applicant. Whether the cost of capital is fixed over a longer period is not a question that falls to be decided at the application stage. As paragraph 3.28 indicates, it will be for the licence holder to request that treatment, following the grant of the licence, if it wishes. The licence condition will be designed only to facilitate such requests, and not to pre-determine them. It follows that the question of assessing costs on a like for like basis at the application stage does not arise. Applicants should also refer to clarification questions 14 and 18.
21	A significant element of the cost of the project is not competed on through the tender process. Can NIAUR elaborate exactly how it intends to set the allowances for these costs? Will NIAUR accept bids which look to treat such costs as pass through, and as a result which have a low WACC because the operator bears little construction cost risk?	In regard to the high pressure licence We clearly set out our approach in relation to the treatment of these costs in paragraphs 3.12 - 3.17 of the Applicant information Pack. Applicants must therefore base their applications on this approach, which will also be reflected in the licence that is granted. We set out In Annex 7, High Pressure Workbook Notes, a more detailed description of each Capital Expenditure activity including both those for which costs are hardwired into the workbook and those for which the applicant is required to provide a cost estimate.

	Equally, will NIAUR accept bids which are based on different approaches to sharing risk with contracting parties, within an incentive arrangement for construction costs?	<p>Any other approaches, or any assumptions about its underlying commercial arrangements, on which an applicant wishes to rely for the purposes of its application are necessarily a matter for it and will therefore be at its own risk. The underlying basis of the calculation of the costs on which it chooses to bid is for each applicant to consider.</p>
22	Section 4.6 – V. of the Applicant Information Pack identifies the requirement to place a notice containing a copy of the application (Schedule 1) in (a) the Belfast Gazette and (b) in the newspaper or newspapers in each part of the area to which the application relates. Can you confirm if the “Belfast Telegraph” satisfies the requirements for all the areas listed in Section 4.6 –V. Part (b)? If not, is there a singular publication which is identified as an approved publication to meet this requirement?	<p>This part of the Application Information Pack draws attention to the requirement placed on applicants by Regulation 6 of the Gas (Applications for Licences and Extensions) Regulations (Northern Ireland) 1996 (as amended).</p> <p>These Regulations are made by DETI and the Authority has no special role in interpreting them. Each applicant must publish a notice containing its application in a newspaper or newspapers circulating in each part of the area to which the application relates.</p> <p>In the Authority’s view this clearly means that a single newspaper is sufficient if, as a matter of fact, it circulates in all parts of that area. Equally, several newspapers which together cover the whole area would also be appropriate.</p> <p>It is for each applicant to choose the newspaper(s) that it considers will satisfy this requirement. There is no ‘approved’ publication for this purpose.</p>
23	High pressure workbook “other costs”: should the costs of gas transportation arrangements, custody transfer of the gas between TSO’s (construction of metering, flow & pressure control) i.e. similar to the Carrickfergus existing interconnection point between TSO’s, be included for both a connection on the North West pipeline and South North	<p>Regarding the high pressure workbook</p> <p>Any costs relating to the construction of physical assets will be included in the ‘Materials’ and ‘Construction’ cost lines. Specifically in relation to the provision of assets similar to those at Carrickfergus interconnection point.</p> <p>The Authority does not believe that these will be required at the interconnection of</p>

	pipeline.	<p>the new and existing high pressure pipelines. Before the high pressure network becomes operational there will be a single system operator for Northern Ireland and there will be a seamless conveyance of gas across the entire network. This will negate the need to meter gas flows etc. between individual pipelines.</p> <p>The costs of putting in place commercial and other contractual arrangements which will operate after operational commencement should be included in the Mobilisation cost line as set out in Annex 7 of the Applicant Information Pack, ‘High Pressure Workbook Notes’.</p>
24	If a connected application is made, should each application be circa 100 pages?	<p>Whether or not it is a connected application, each licence application needs to be full and complete in its own right.</p> <p>The length of the Operational Business Plan in relation to each application is therefore a matter for the applicant, having regard to the need to submit a full and complete application.</p> <p>The Applicant Information Pack has suggested an indicative (non-mandatory) number of pages for the Operational Business Plan in the case of each licence application as a guide for the assistance of applicants seeking to judge what is likely to be an appropriate length.</p>
25	Will the provision of recent Annual Development Plans be sufficient to satisfy town development plan criteria?	<p>It is assumed that this question refers to Schedule II, Part 1, paragraph 13 of the Gas (Applications for Licences and Extensions) Regulations (Northern Ireland) 1996 (as amended).</p> <p>It is a matter for each applicant to decide what information it should provide in response to the requirements of the Regulations. Each applicant should provide the information to the fullest extent possible for the purposes of complying with its obligation under Regulation 4(1), and should indicate where it cannot provide any particular information.</p>

		<p>However, the Authority would expect that, when submitting information for the purpose of this requirement, it would be reasonable for an applicant to rely on:</p> <ul style="list-style-type: none"> • the FMA network design as published by the Utility Regulator on 21 October 2013 and available on the Gas to the West page of the Website; • (consistent with paragraph 3.63 of the Applicant Information Pack) the relevant connections and throughput derived from the FMA data and set out in the Capital Expenditure and Consumption & Revenue worksheets of the low pressure workbook; and • financial data derived from completed data input workbooks supplied in the Applicant Information Pack.
26	<p>Licence Application – Annex 3 Question 11 (b) – proposed configuration of pipeline – Should this relate to the actual design that would be constructed by the applicant which may differ from the FMA design?</p>	<p>This refers to the information required to be provided by Schedule II, Part 1, paragraph 11(b) of the Gas (Applications for Licences and Extensions) Regulations (Northern Ireland) 1996 (as amended).</p> <p>It is a matter for each applicant to decide what information it should provide in response to the requirements of the Regulations. Each applicant should provide the information to the fullest extent possible for the purposes of complying with its obligation under Regulation 4(1), and should indicate where it cannot provide any particular information.</p> <p>However, the Authority would expect that, when submitting information for the purpose of this requirement, it would be reasonable for an applicant to rely on the FMA network design as published by the Utility Regulator on 21 October 2013 and available on the Gas to the West page of the Website.</p>
27	<p>Operational Business Plan – Annex 6</p>	<p>Regarding the low pressure licence</p>

	<p>Section 9 – capital expenditure costs – does this consider what the applicant believes will be spent on capex or an explanation of FMA data in relation to capex?</p>	<p>The workbook contains two types of cost information - that which is hardwired into the workbook, and that which the applicant is required to reveal through the competitive process. Operational Business Plans should include the appropriate information for both types of cost as required by the Operational Business Plan element (paragraph 3.17) of the Best Value Criterion within the DETI Published Criteria.</p> <p>In the case of the former type, an applicant will be marked in accordance with paragraph 3.17 (a) and (c) of the DETI Published Criteria and this is the type of cost information that is covered in Annex 6 Section 9 on capital expenditure costs.</p> <p>Therefore applicants should use the Operational Business Plan to set out how they would deliver capital expenditure costs in line with the FMA data hardwired into the spreadsheet.</p> <p>Although capital expenditure costs are hardwired into the low pressure workbook, applicants should still address the relevant issues including by way of setting out the procedures and processes and detailed activities they propose to put in place to efficiently deliver on the capital expenditure element of the project.</p>
<p>28</p>	<p>3.38 of the application form notes states that the first operational commencement date (FOCD) is the date when gas first flows on a commercial basis through the pipeline. Could you clarify “on a commercial basis”? Does this relate to gas to any customer or to a large I&C customer?</p>	<p>Regarding the low pressure licence</p> <p>The reference to gas flowing “on a commercial basis” is not intending to distinguish between categories of customer. It refers to the time when gas flows for commercial purposes (to any customers) as opposed to the use of the network for testing or commissioning in order to bring it into operational use.</p>
<p>29</p>	<p>NIHE connection targets.</p> <ul style="list-style-type: none"> • Year 2 - target is 1063 across all towns • Year 3 – year 6 is 265 per annum across all 	<p>Applicants must base their application on the pattern of connections (development plan) set out in the low pressure workbook.</p> <p>The derivation of these connection targets,</p>

	<p>towns</p> <p>Given the variation between year 2 and year 3 onwards could the Utility Regulator provide supporting information to derive these targets please?</p>	<p>and the assumptions which underpin them, are therefore not relevant matters when constructing an application.</p> <p>FMA based their development plan on a study of the available loads in each town.</p>
30	<p>OO connection Targets:</p> <p>Could the Utility Regulator provide supporting information used in calculating these targets?</p>	<p>See the response to question 29 above.</p>
31	<p>SME connection Targets:</p> <p>Could the Utility Regulator provide supporting information used in calculating these targets?</p>	<p>See the response to question 29 above.</p>
32	<p>New Build connection Targets:</p> <p>Again, could the Utility Regulator provide supporting information used in calculating these targets?</p>	<p>See the response to question 29 above.</p>
33	<p>Large I&C Contract connections:</p> <p>Could the Utility Regulator provide supporting information used in calculating these targets?</p>	<p>See the response to question 29 above.</p>
34	<p>Conveyance Charges:</p> <p>Could the Utility Regulator consider outlining target conveyance charges?</p>	<p>For the low pressure licence</p> <p>There is no target conveyance charge assumed by the Authority.</p> <p>The conveyance charge is set by the applicant in cell M9 of the WACC & NPV Calculation worksheet of the Low Pressure workbook so that allowed and collected revenue is equalised over a 40 year period.</p>
35	<p>Would alternative AGI locations be considered as part of any application?</p>	<p>Regarding the high pressure licence</p> <p>Applicants must base their application on the network design as published by the Utility Regulator on 21 October 2013 and available on the Gas to the West page of the Website.</p>

		<p>Applicants' Operational Business Plans will be marked in accordance with paragraph 3.18 of the DETI Published Criteria. As discussed in the response to questions 27 and 62, this provides applicants with an opportunity to set out how they propose to manage those costs which are hardwired into the high pressure workbook.</p> <p>Applicants should note paragraph 2.13 of our Gas to the West Conclusions Paper in which we state that in their Operational Business Plan applicants should demonstrate their ability to design efficient networks.</p>
36	Could the Utility Regulator outline workings behind the domestic connections incentive allowance of £425 per owner-occupied property?	<p>Regarding the low pressure licence</p> <p>The £425 per OO property was calculated by taking the GD14 rate per 'additional' connection of £540, rebasing this to December 2013 prices, and reducing it to a rate that could be applied to <u>ALL</u> connections (avoiding the additionality complication).</p>
37	Is the domestic connections incentive of £425 per OO connection allowable for every residential connection?	<p>Regarding the low pressure licence</p> <p>The £425 connection allowance is only for residential domestic OO properties, and it applies to all residential domestic OO properties. It excludes connections for Northern Ireland Housing Executive (NIHE) and New Build properties.</p> <p>See the response to question 38 regarding mechanisms for connection incentive adjustments in case of over-/ under-performance.</p>
38	Is there a ratchet mechanism for over / under performance – if so, could this detail be provided please?	<p>Regarding the low pressure licence</p> <p>The Authority has not proposed a ratchet mechanism for over-/ under-performance in relations to connections, but will consider such a mechanism at future price controls.</p> <p>See sections 3.41, 3.42 and 3.49 of the Application Information Pack in relation to the rolling incentive mechanisms.</p>

39	Will there be a incentive for over-performance within the residential sector?	Regarding the low pressure licence See the response to question 38 above.
40	Are there “typical” distribution and transmission charges which should be used to derive a gas tariff?	This licence application process relates to gas conveyance licences only and there is therefore no requirement to derive a gas tariff.
41	Will there be an SME I&C incentive (as per GD14) of £100 per connection?	Regarding the low pressure licence Applicants must consider if it is appropriate to make any provision for incentives in relation to non-domestic customers. Where relevant, SME and I&C Incentives should be included under Opex (Marketing, Advertising & PR for Non-OO Connections).
42	Would capitalisation of Contract Incentives be considered?	Regarding the low pressure licence See the response to question 41 above.
43	Question 19 - Schedule 2 states “Particulars of the applicant's proposed arrangements for compliance with those standard conditions for a gas conveyance licence which are identified for this purpose. (Q19 Schedule 2)” Could this be explained further please?	This information requirement is found in Schedule II, Part 1, paragraph 19 of the Gas (Applications for Licences and Extensions) Regulations (Northern Ireland) 1996 (as amended). The standard licence conditions referred to are those published as Annex 4 of the Applicant Information Pack. The Regulations are made by the Department of Enterprise Trade & Investment (DETI) rather than by the Authority. It is a matter for each applicant to decide what information it should provide in response to the requirements of the Regulations and to take its own legal advice if required.
44	Question 9, Schedule 2 - Details of any other licence or authorisation held by the applicant in a jurisdiction other than Northern Ireland which is the equivalent to a licence under the	This information requirement is found in Schedule II, Part 1, paragraph 9 of the Gas (Applications for Licences and Extensions) Regulations (Northern Ireland) 1996 (as amended).

	<p>Order or the Electricity Order</p> <p>Does this relate to the Parent Company of the applicant?</p>	<p>The Regulations are made by the Department of Enterprise Trade & Investment (DETI) rather than by the Authority. It is a matter for each applicant to decide what information it should provide in response to the requirements of the Regulations to take its own legal advice if required.</p>
45	<p>Regarding clarification No. 2, and NIAUR response. It is stated for the purpose of the competition that 3 years is assume for the high pressure workbook.</p> <p>Please clarify, should the competed costs only be entered in the workbook for the 3 years as assumed under the competition for the high pressure workbook or should the applicant include additional costs under “other costs” to cover competed costs in the event the design and construction was to extend beyond the three year period?</p> <p>Also, please clarify, if the costs are only to be competed on regarding the assumed three year period in the high pressure workbook, how will the additional costs be treated in the event the project extends beyond three years, would they be treated as pass through or negotiated with NIAUR based on competed costs submitted for the three years under the competition?</p>	<p>Regarding the high pressure licence</p> <p>All costs, whether they are incurred before or after the first commencement date, should be included for the purposes of the competition.</p> <p>Applicants should enter the total cost of the activity over the construction period, whether 3 years or more, in column C of the Capital Expenditure worksheet of the HP Workbook.</p> <p>Variations in the level of controllable capital expenditure , as determined by the Authority in accordance with the process that is set out in paragraph 3.12 of the Applicant Information Pack will be subject to the incentive mechanism set out in paragraph 3.13 of the Pack.</p>
46	<p>Site Investigation can you confirm the only costs to be included for the purpose of the competition are the costs relating to the design of the site investigation, i.e. location of trial / bore holes and site supervision.</p> <p>Costs such as actual excavation of the trial pit or bore holes will be</p>	<p>Regarding the high pressure licence</p> <p>The Authority can confirm that the allocation of costs as described in the question is correct.</p> <p>Applicants should also see clarification question number 4 which deals with supervisory costs.</p>

	<p>treated as pass through including any interpretative reports on ground conditions.</p>	<p>The Authority can confirm that all capital expenditure will be subject to the process set out in paragraphs 3.12 to 3.14 of the Applicant Information Pack.</p>
47	<p>Planning fees payable to Statutory bodies, can you confirm if these will be treated as a pass through, as these will be dependent on the number of planning applications as determined by the Statutory bodies, inclusive of any advertisement requirements.</p>	<p>Regarding the high pressure licence</p> <p>These costs are considered to be controllable and will be treated as such in accordance with paragraphs 3.12 and 3.13 of the Applicant Information Pack</p>
48	<p>High Pressure workbook, Table 1 cost structure,</p> <p>For example, under site investigations, lists aerial photography, can it be assumed where costs for services can be verified through an invoice this can be treated as pass through?</p> <p>The above methodology is also applicable to Materials, Construction, Wayleaves & Land Acquisition, SCADA & C&I where actual costs are verified.</p>	<p>Regarding the high pressure licence</p> <p>All capital expenditure will be subject to the process set out in paragraphs 3.12 to 3.14 of the Applicant Information Pack.</p>
49	<p>High Pressure workbook, Table 1 cost structure</p> <p>SCADA + C&I</p> <p>Please confirm C&I Design as listed will be treated as a pass through or if not should C&I Design be competed on under Design and Project Management section?</p>	<p>Regarding the high pressure licence</p> <p>All capital expenditure will be subject to the process set out in paragraphs 3.12 to 3.14 of the Applicant Information Pack.</p> <p>As set out in Table 1 of Annex 7 of the Applicant Information Pack, C&I Design is not a cost that applicants are required to compete on.</p>
50	<p>Can you provide more clarity around the objective of item under Annex 5: Operational Business Plan, Section 6. Procurement, 6.2 Materials which</p>	<p>Regarding the high pressure licence</p> <p>The item referred to relates to proposals for the planning of materials required including</p>

	states: "Requirements planning arrangements proposed".	the timing and the location of their delivery.
51	<p>Gas to West Application Pack, schedule II Part 1 Development Plan</p> <p>The development plan predominately relates to the role out of the distribution infrastructure, where an applicant is applying for transmission licence application, should the applicant just attribute the relevant parts of the Tx roll out to the development plan?</p>	<p>Applicants need only provide a development plan for the class of assets that are specific to the conveyance licence they are applying for.</p> <p>In addition see the response to question 26 above.</p>
52	<p>Gas to West Application Pack, schedule II Part 1 Development Plan (d), (f) & (g).</p> <p>Under the High Pressure Licence Application Operating Costs are not competed/revealed. The activities and cost drivers will be described within Operational Business Plan but not costed.</p> <p>Without this cost item and given the cost items not competed under Capex it does not appear possible to estimate the total revenue and net cash flows for the licensed activities.</p> <p>Will these conditions be satisfied by completing the Capital Expenditure Workbook (Annex 9)?</p>	<p>Regarding both the high and low pressure licence</p> <p>This refers to the information required to be provided by Schedule II, Part 1, paragraph 13(d), (f) and (g) of the Gas (Applications for Licences and Extensions) Regulations (Northern Ireland) 1996 (as amended).</p> <p>It is a matter for each applicant to decide what information it should provide in response to the requirements of the Regulations. Each applicant should provide the information to the fullest extent possible for the purposes of complying with its obligation under Regulation 4(1), and should indicate where it cannot provide any particular information.</p> <p>However, the Authority notes that the information indicated in these requirements of the Regulations will not be used for the purposes of marking applications in accordance with the Criteria. For these purposes, the relevant financial data will be that derived from a completed high pressure workbook, Annex 9 of the Applicant Information Pack.</p>
53	<p>Would UR consider extending the deadline for submissions to 5pm on 6 May 2014 given that 5 May 2014 is a bank holiday?</p>	<p>The Authority is satisfied that adequate time will have been allowed for applicants to submit their applications by the deadline that has currently been set.</p>

		<p>The deadline is the backstop date for submission of applications. There is no necessary reason why applicants, given the time that they will have been allowed for the preparation of their applications, should find it necessary to work on those applications on a bank holiday. However, the Authority set 12.00 noon on 6 May as the deadline – as opposed to close of business on the previous Friday – to allow applicants to use the bank holiday weekend for finalisation should they need it.</p> <p>The Authority does not consider that there is any good case for extending this deadline further.</p>
54	<p>Can bidders assume that expenditure incurred post “preferred bidder” award can be recovered by a mechanism agreed with NIAUR post award of preferred bidder status, for example through existing licences or as part of a handover to another party should final award not be confirmed?</p> <p>In order to achieve the earliest completion date it would be necessary to start pre construction work as soon as preferred bidder is awarded. As there is a potential for the final award to take longer than planned, particularly if there is a challenge to the process, companies will be reticent about incurring expenditure which cannot be recovered.</p>	<p>The Authority will consider this issue in more detail if the circumstances arise following the appointment of a preferred applicant.</p> <p>As a matter of principle, the Authority is likely to have no objection to a preferred applicant which elects to carry out some of the preparation work necessary for the construction of a high pressure pipeline in advance of a licence being granted if it. However, this would be entirely without prejudice to the final decision as to which applicant would be granted the licence.</p> <p>As to whether the preferred applicant would be capable of being reimbursed for the costs of such work were it not subsequently to be granted a licence, the Authority would be prepared to consider the potential for reimbursement in more detail at the time if the circumstances arose.</p> <p>In relation to this, the Authority would apply its statutory duties, and much would be likely to depend on the precise nature of the work that was being contemplated and whether the benefit of that work was capable of being transferred to a successful applicant in circumstances in which the preferred applicant was not itself</p>

		<p>granted the licence.</p> <p>It is not possible to give assurances on these matters at this stage of the process and in the absence of a specific factual context.</p>
55	<p>Would you please outline the circumstances in which you would foresee going to reserve bidder?</p> <p>Will there be a single reserve bidder?</p>	<p>Please see paragraph 3.13 of the DETI Published Criteria, Scenario B, for the circumstances in which a reserve applicant may be awarded a licence.</p> <p>In short, the reserve applicant will only become active if the preferred applicant withdraws from the licence application process.</p> <p>In accordance with the DETI Published Criteria, there will only be one reserve applicant for this purpose.</p>
56	<p>3.17 in the Applicant Information Pack states that there will be no revenue recovery during the period when the pipeline is being constructed - what about where part of the new HP system is operational while the rest of it is still being constructed. How would allowed revenue recovery work for this period?</p>	<p>The Authority expects that the entire network will have been constructed and become commercially operational on the same date.</p> <p>However should this not be the case, and one part of the network becomes commercially operational before the other, the Authority will reconsider its approach in the light of the change in circumstances.</p> <p>The Authority does not consider that allowing for revenue recovery for one part of the network, if that became necessary and appropriate, would be an intrinsically complex process.</p>
57	<p>For the purposes of the assessment for both HP and LP applications can we assume that the costs entered for “year 1” in the workbooks should be based on gas being available to all the towns at that point in time?</p>	<p>Regarding the low pressure licence</p> <p>The pattern of connections set out in the low pressure workbook has connections being made in each of the towns in year one. As stated in paragraph 3.63 of the Applicant Information Pack</p> <p><i>We intend that this pattern of volumes and connections will be used to set the first and future price controls.</i></p>

		<p>Applicants should submit their cost estimates on this basis.</p> <p>The Authority also notes that applicants for both the high and low pressure licences are permitted to submit mobilisation costs which may be incurred prior to the first year of commercial operation. Such expenditure can be used to facilitate expedient connection of consumers following the commencement of commercial operations.</p> <p>In response to question 2 above the Authority specifically recognised that some capital expenditure may occur on the low pressure network prior to year 1. These costs, however, are specifically excluded from mobilisation.</p>
<p>58</p>	<p>3.33 States that exclusivity will apply for 5 years on the high pressure pipeline licence area. We would query the rationale for the short duration and if the authority would want another TSO to operate in the same licence area?</p>	<p>For the high pressure licence</p> <p>Five years is a sufficient time period for the licence holder to construct and commence operation of these high pressure pipelines.</p> <p>The Authority is not aware of any proposals for additional high pressure pipelines. If any such proposals did arise they would be considered at the time and in the light of all the circumstances.</p>
<p>59</p>	<p>The operational business plan templates have scope for a significant amount of repetition. To try and limit this we would propose cross referencing between sections – can you confirm that marks for each section will be awarded if the required information is included elsewhere in the document rather than repeated in each particular section?</p>	<p>The Authority can confirm that it has no objection in principle to the use of cross-referencing within the Operational Business Plan.</p> <p>However such cross-referencing should be clearly marked and should unambiguously indicate the applicable sections being cross-referenced.</p> <p>It is the responsibility of each applicant to ensure that its OBP addresses all of the issues and provides all of the information required in a manner that is clear and comprehensible.</p>

60	Annex 7 - High Pressure Work Book Notes refers to the submission being based on the FMA network design which we understood to not consider compression as per FMA Feasibility Study Report March 2010. However, Appendix D to Ureg's April 2013 gas to the west consultation refers to compression requirements – can you please confirm that we are not developing a business plan which includes design, construction and operation of a gas compression station?	<p>Regarding the high pressure licence</p> <p>The Authority can confirm that an Operational Business Plan should not make provision for the design, construction and/or operation of a gas compression station.</p>
61	Can we assume that a mutual licence if awarded will be consistent with those of Premier Transmission and that the process of determining the Direction will be the same?	<p>The Authority has set out fully in Chapter Three of the Applicant Information Pack those licence conditions which an applicant for the high pressure licence can expect to have included in the licence as granted.</p> <p>Paragraphs 3.1 to 3.8 of the Applicant Information Pack discuss the Standard Licence Conditions which are then set out in full in Annex 4.</p> <p>Paragraphs 3.9 to 3.36 then discuss the Special Licence Conditions which the Authority intends to include in the licence, and in particular those which might be described as revenue conditions. This discussion includes among other things: the treatment of capital expenditure, the treatment of operating expenditure (both revenue cap and cost pass through) and the Weighted Average Cost of Capital.</p> <p>Additionally the Authority has included a proposed condition which will allow a licensee to lock-in its WACC. The process as to how this will be implemented has not been set out and would require detailed discussions and consultations.</p> <p>These licence conditions are not exclusive to any particular ownership structure.</p>
62	In a number of places (for example in the HP Operational Business plan template section 8.1 and 8.4 and LP Operational Business plan template section 9.1) there are requests such	<p>In relation to section 9.1 of the low pressure Operation Business Plan, this question has been addressed in the response to question 27 above.</p>

	<p>as:</p> <p><i>“Operational costs - Explanation of how activity and cost forecasts in the workbook accord with stated objectives of this business plan”.</i></p> <p><i>“Operational costs - Set out efficiency improvement plans and explain the rationale for this and justification, including with reference to the workbook submission”</i></p> <p><i>“Capital expenditure costs - Explanation of how activity and cost forecasts in the workbook accord with stated objectives of this business plan”</i></p> <p>We are not required to submit such cost forecasts in the workbooks so are unclear what is being asked here – can you please clarify?</p>	<p>Similarly the costs for certain Capital Expenditure activities in the high pressure workbook are hardwired. In addressing section 9.1 of the high pressure Operational Business Plan an applicant should follow the approach set out in response to question 27 when addressing these capital expenditure activities. Therefore an applicant should set out how it would deliver capital expenditure costs in line with the FMA data hardwired into the spreadsheet.</p> <p>The Authority recognises that the high pressure workbook does not contain any cost information on operating expenditure. Therefore in addressing section 8 of the high pressure Operational Business Plan an applicant should still address the relevant issues by setting out the procedures and processes and detailed activities it proposes to put in place to efficiently deliver on the operating expenditure element of the project. This will be marked in accordance with paragraph 3.17 (a) and (c) of the DETI Published Criteria.</p> <p>In paragraph 4.27 of the Applicant Information Pack the Authority dealt specifically with the issue of how operating expenditure should be addressed in the high pressure Operating Business Plan:</p> <p><i>Operating expenditure costs will not be competed on. However, the applicant’s operational business plan should detail how the applicant will deliver the efficient operation of the high pressure pipelines.</i></p>
63	<p>We note that the DETI criteria state that 50% of the marks available for the operational business plan will be for: <i>“the Applicant’s description of how the data that is supplied in its completed Data Input Workbook was derived, including –</i></p>	<p>The various sub-criteria set out in the question should only be answered to the extent that they relate to the cost information provided by the applicant in the workbook.</p>

	<p>(i) the completeness with which it has described the derivation of that data; (ii) its identification and application of cost drivers; (iii) the robustness of any assumptions made by it; (iv) its use of evidence that is verifiable from its previous experience; (v) its identification and quantification of risk; and (vi) its efficiency improvement plan;”</p> <p>Given that for the HP licence the operating expenditure is not being competed on (i.e. opex numbers are not required to be input in the workbook) are we correct in assuming that marks will be awarded for covering the points above as they relate to all operating costs in addition to those costs we are required to input in the workbook?</p>	<p>In the case of the high pressure workbook therefore, answers to these sub-criteria need only be provided for the Weighted Average Cost of Capital and those capital expenditure items for which applicants are required to reveal a cost estimate.</p> <p>In the case of the low pressure workbook, answers to these sub-criteria need only be provided for the Weighted Average Cost of Capital and those operating expenditure items for which applicants are required to reveal a cost estimate.</p>
<p>64</p>	<p>Where the business plan templates ask for “<i>Professional and academic qualifications and experience associated with key personnel</i>” are you expecting this in respect of named individuals?</p> <p>May such names be excluded from the version to be published?</p>	<p>The Authority expects that applications should identify key personnel by name where possible.</p> <p>To the extent to which the detail of applications is published, the Authority will take account of any personal data contained in them and will take appropriate steps to redact it or to ensure the anonymity of the relevant individuals as appropriate.</p>
<p>65</p>	<p>We note the suggestion of limiting business plan submissions to 100 pages – can you confirm that exceeding this will not impact on scoring?</p>	<p>The Authority can confirm that this will not impact on the marking of applications.</p> <p>See the response to question 24 above.</p>
<p>66</p>	<p>3.56 of the Applicant Information Pack states that under recovery will earn a return of 2% over LIBOR – can you confirm that this rate of return will not apply to profiling adjustments?</p>	<p>Regarding the Low Pressure Licence</p> <p>The profile adjustment will form part of the TRV and, as such, will be subject to the rate of return applicable to the TRV.</p>
<p>67</p>	<p>Operational Business Plan, 6.2 Materials specifies “Proposals for contracts awards during mobilisation period”. Can this statement be clarified? Is it</p>	<p>It is for each applicant to determine how best to respond to this request for information in light of the criteria set out in paragraph 3.17 (a) and (c) of the DETI Published Criteria.</p>

	seeking identification of which particular contracts will be awarded to facilitate mobilisation or is it a request for a general overview of the contract awarding procedure?	In principle, an applicant may supply either or both type(s) of information in support of its application.
68	Operational Business Plan, 6.2 Materials specifies “Requirements planning arrangements proposed”. Can this statement be clarified?	See the response to question 50 above.
69	Operational Business Plan, 6.3 Construction, Maintenance and Specialist Services specifies “Proposals for contracts award during mobilisation period”. Can this statement be clarified? Is it seeking identification of which particular contracts will be awarded in this phase or is it a request for a general overview of the contract awarding procedure?	See the response to question 67 above.
70	Can UR please clarify what level of detail is required under sections 10 of the operational business plans – are applicants expected to provide a narrative or the numerical building blocks?	<p>It is for each applicant to determine how best to respond to this request for information in light of the criteria set out in paragraph 3.17 (b) of the DETI Published Criteria.</p> <p>In principle, an applicant may supply either or both type(s) of information in support of their application.</p> <p>The Authority would draw applicants’ attention to the following statement in both Annex 5 and 6 of the Applicant Information Pack High / Low Pressure Operational Business Plan:</p> <p><i>The Operational Business Plan should explain how the costs input by the applicant in the Data Input workbook were derived. Therefore, if the applicant wishes to append an Excel spreadsheet to the Operational Business Plan to explain how the numbers were derived it may do so.</i></p>

71	Can UR please clarify what information is required under paragraph 11 of Part I of Schedule 2, are applicants expected to reproduce the FMA maps? And what information is expected from applicants under part (c)?	See the response to question 26 above.
72	<p>Can the UR explain the rationale behind the scoring for single and joint applications?</p> <p>If an applicant as part of a joint application scores poorly in either distribution or transmission does this preclude the other partner being</p>	<p>For the purposes of these questions, the Authority assumes that:</p> <ul style="list-style-type: none"> • the term ‘joint application’ refers to a situation in which an applicant has indicated - in response to Q6 of Schedule 1 to the Gas (Applications for Licences and Extensions) Regulations (Northern Ireland) 1996 (as amended) - that its application for a licence is connected to another application for a licence; • the references to ‘transmission’ and ‘distribution’ licences are to (respectively) the licences for the high and low pressure networks. <p>The Published Criteria are the legal responsibility of DETI and a draft of them was the subject of consultation before coming into force. For a full explanation of the approach adopted in the Criteria the Authority must refer applicants to the DETI consultation and decision papers which are available on the DETI website.</p> <p>How applications are to be scored is set out in the Best Value section of the Published Criteria. This criterion is discussed in paragraphs 4.15 – 4.22 of the Applicant Information Pack.</p> <p>It is a matter for applicants to determine how this scoring mechanism might affect their individual approaches to making licence applications.</p> <p>If applicants choose to make a joint application it is the combined score of both (the ‘Application Pair’) rather than of their</p>

<p>successful if they have scored highly in their application?</p> <p>Can two applications be made, one as a single entity and one as a joint application so that if the joint application fails then the single application is considered?</p> <p>If an applicant only applies for either the distribution licence or the transmission licence and has not applied with a partner and scores higher than an applicant with a partner how is this treated?</p> <p>Is it the intention of the UR to take the best application in each category and marry them up?</p> <p>Example Applicant A applies without a partner for the distribution licence and scores 78%</p> <p>Applicants B&C apply through a joint application Applicant B applies for the distribution licence and scores 70% Applicant C applies for the transmission licence and scores 90%</p>	<p>individual Applications that will be determinative of whether or not they are successful.</p> <p>There is no prohibition on any applicant making multiple applications with differing responses to Q6 of Schedule 1 to the Gas (Applications for Licences and Extensions) Regulations (Northern Ireland) 1996 (as amended).</p> <p>Applicants which have not made ‘joint applications’ will be combined in an Application Pair with other applicants which are in the same position in order to allow the Authority to assess and to compare combined scores. See the definition of ‘Application Pair’ at paragraph 3.4 of the DETI Published Criteria.</p> <p>The Authority is required to apply the DETI Published Criteria as written, and the treatment of applications is set out in those Criteria and is not a question of the ‘intention’ of the Authority.</p> <p>In accordance with the Criteria, the Authority is required to calculate a Combined Score for every possible Application Pair (paragraph 3.14(e)). The applicants which satisfy the Best Value criterion are then identified in accordance with paragraph 3.13.</p> <p>As explained above, an applicant which has not made a joint application can be part of an Application Pair only with similar applicants; applicants which have made joint applications can be part of an Application Pair only with each other. See the definition of ‘Application Pair’ at paragraph 3.4 of the DETI Published Criteria.</p>
---	---

	<p>Applicants D&E apply through a joint application Applicant D applies for the distribution licence and scores 65% Applicant E applies for the transmission licence and scores 95%</p> <p>In this instance would it be the intention of the UR to split the joint applications made by Applicants B&C and D&E and marry up Applicant A for distribution with Applicant E for transmission? Or alternatively how would this scenario be scored and which applicants would be successful?</p> <p>Alternatively Applicant A applies for the distribution licence and scores 78%</p> <p>Applicant F applies for the distribution licence and scores 70% Applicant F also applies for the transmission licence and scores 90%</p> <p>In this instance would it be the intention of the UR that the distribution licence is awarded to Applicant A and the transmission licence to Applicant F or would both licences be awarded to Applicant F based on an average score of 80%.?</p>	<p>Therefore, there is no possible combination of applicant A with any of the other applicants; nor can any of the joint applications be separated. Again, this is not a matter of the intention of the Authority, but of the requirement that the DETI Published Criteria are followed.</p> <p>The Authority can only direct attention to the DETI Published Criteria to clarify the basis on which it will be required to assess and decide between applications. The Authority does not consider that it would be appropriate for it to respond to questions as to who would be the successful applicant in hypothetical scenarios based on notional scores.</p> <p>Moreover the Authority notes that the Best Value criterion is not the only criterion requiring to be satisfied in order for an applicant to be ‘successful’.</p> <p>If applicant F has not made a ‘joint application’ in respect of the two licences, then the Application Pairs required to be scored by the Authority would be all possible permutations of the applications made by A and F. Each of these must be given a Combined Score in accordance with paragraph 3.14 of the DETI Published Criteria, and the applicant considered to have the Best Value application would be determined in accordance with paragraph 3.13 of the Criteria.</p> <p>Again, the Authority does not consider it would be appropriate for it to respond to questions as to who would be the successful applicant in a hypothetical scenario based on notional scores.</p>
73	<p>Annex 3, Schedule 2 Part 1, Question 13 – Development Plan</p> <p>Does this relate to the development</p>	<p>See the responses to questions 25, 51 and 52 above.</p>

	<p>plan that the applicant believes they will employ rather than the FMA design and the associated capex and opex costs which will differ from the capex and opex costs in the workbook. What duration should the development plan cover?</p> <p>There is a significant amount of detail required for the development plan yet there are no marks associated with it – how is it scored?</p>	
<p>74</p>	<p>As the bids are highly sensitive to the numbers entered, with this being the dominating factor in the assessment, is there any risk adjustment to be applied to adjust for unrealistic bids or bids not supported by evidence?</p>	<p>Sections 8 and 9 of the high and low pressure Operational Business Plans require applicants to explain the costs they have submitted in the workbook. 50% of the available marks for each Operational Business Plan (20% of the total available marks) will be awarded on the basis of paragraph 3.17 (b) of the DETI Published Criteria.</p> <p>The question of whether applications are supported by evidence is therefore given weight as an element of the scoring under the DETI Published Criteria. In consequence there will be no ‘risk adjustment’ of the numbers as envisaged in the question.</p> <p>The Authority has also made it clear throughout the application documents that it will as far as is reasonable base the cost allowances of a successful applicant, in its licence conditions, on the information that is revealed in the workbook. In particular this issue is dealt with in paragraphs 2.6 to 2.8 of the Conclusions Paper published alongside the Applicant Information Pack.</p>
<p>75</p>	<p>Depending upon the delivery model assumed there could be a variation on the activities carried out by the main contractors and the utility responsible for the construction. How will the process ensure consistency of interpretation?</p> <p>In certain types of delivery contracts the following costs in part or in full</p>	<p>See response to question 4 and 46</p> <p>In response to question 4, after outlining in broad terms the type of costs to be included in this cost category, we made the following statement:</p> <p><i>‘As part of the operational business plan,</i></p>

	<p>would be assumed by the main contractor and so should be excluded from direct Design and Project Management costs</p> <ul style="list-style-type: none"> • all materials QA and Inspection costs predelivery • detailed scoping of works and procurement of subcontractors • CDM compliance <p>Would it be acceptable to build the project management and design costs on the basis of the contractual arrangement that we plan to put in place?</p>	<p><i>the applicant should include a clear statement of these costs in its application, including quantum, and explain the scope of these services and identify any of these services it plans to procure through another party.'</i></p> <p>For the avoidance of doubt, irrespective of whatever contractual arrangements might be envisaged by the applicants, the various costs included within Design and Project Management should be included whether these activities are carried on by the licence holder, the contractor or a third party. The design and project management costs referred to in this question should be inputted into the Design and Project Management cost line.</p>
--	--	---