

Graham Craig  
Utility Regulator  
Queens House  
14 Queens Street  
Belfast  
BT1 6ED

17 April 2018

Dear Graham

**WTL Facilitating Pre-Construction Financing – Consultation on the Proposed Modification of Gas Conveyance Licence dated 28 March 2018**

West Transmission Limited is grateful to have the opportunity to respond to the above Consultation and welcomes the Utility Regulator's proposal to modify our gas conveyance licence in order to facilitate the early financing of the Gas to the West network extension for the benefit of gas consumers in Northern Ireland.

We have reviewed the text of the proposed modifications and request that you note the points set out in the Annex to this letter.

Should you wish to discuss any aspect of our response, please do not hesitate to contact me.

Yours sincerely



## Annex

### **Condition 6.1.4 (Definition of Eligible Pass-Through Costs)**

We think it would be helpful to clarify limb (n) of the definition, by rewording it as follows:-

*"any amounts required to ensure that balances are maintained in bank accounts of the Licensee and/or the Issuer in compliance with the Finance Documents".*

We believe that the above rewording would also be consistent with paragraph 5.80 (second bullet point) of the Consultation Document.

We welcome the proposal (in the paragraph (c) which follows the Fixed Amounts Table in Condition 6.5.1) which builds in flexibility to modify the definition of Eligible Pass-Through Costs (EPTC) by a direction issued contemporaneously with the switching on/switching off direction under Condition 5.1.2.

In that regard, we would note that (based on the precedents established by the Belfast Gas Transmission and Premium Transmission financings) the financiers of West Transmission will require that the direction states (by way of clarification) that a number of items over and above those expressly listed in the definition of EPTC in Condition 6.1.4 constitute Eligible Pass-Through Costs – for example, the fees, costs and expenses plus interest and commitment fees payable over the term of the debt in relation to West Transmission's Liquidity Facility.

### **Condition 6.2.1(i)(ii)(c) (Allowed Capital Expenditure)**

The words "*need to carry any such activities*" should read "*need to carry out any such activities*".

### **Conditions 6.2.2/4.2.2**

There are some minor misalignments between the text of the two Conditions which, on the face of it, seem to be unintentional.

### **Condition 6.4.1 (Forecast Required Revenue)**

*The text at the end of this Condition "(but omitting for this purpose the  $Z_t^*(S_t)$  component of that formula)" is superfluous, given the changes made elsewhere.*

### **Condition 6.4.3 (Definition of Formula Terms)**

There seems to be a cross referencing error in the definition of the D and E Terms - the references should be to Conditions 6.7.1 and 6.7.2 respectively.

The reference to the Licensee's OAV in the definition of the  $I_t$  term should be a reference to the Licensee's Forecast OAV.

### **Condition 6.4.5 (OAV Deduction)**

Given that (please see Condition 6.3.2(b)) the date for submission of the Licensee's Forecast Required Revenue has been brought forward to March (it was previously June), we believe that the reference to "*15 June*" in Condition 6.4.5(c)(ii) should be a reference to the "*fifteenth Business Day in March*".

### **Condition 6.4.7 (Licensee's Forecast OAV)**

Given the relative timings of drawdown of the finance and the determination of the Licensee's Forecast OAV, we believe that some clarifications could usefully be made in this Condition as follows:-

- in paragraph (a), we believe that the words "*amount drawn down under the Finance Documents constitutes funding that has been raised*" should be amended to read "*amount to be drawn down under the Finance Documents constitutes funding that will be raised*"
- in paragraph (b), paragraph (d)(i) and paragraph (d)(ii), we believe that the words "*has been raised*" should be amended to read "*is to be raised*".

**Condition 6.5.1 (Fixed Amount)**

We believe that it would be helpful by way of clarification and for consistency with the Consultation Document (please see paragraph 5.77) to amend the reference to "*in respect of debt service*" in line 3 of the opening paragraph of this Condition to read "*equal to twice the debt service amount*". Alternatively, the clarification can be achieved by the deletion of the text which appears within the brackets in the opening paragraph of Condition 6.5.1.