

Last Modified: 19 August 2019

**PREMIER TRANSMISSION LIMITED**

**LICENCE FOR THE CONVEYANCE  
OF GAS IN NORTHERN IRELAND**

**CONDITIONS OF GAS CONVEYANCE LICENCES**  
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## **GRANT AND TERM OF LICENCE**

### **Licence granted under Article 8** **of the Gas (Northern Ireland) Order 1996** **for the conveyance of gas**

#### **The Grant**

##### **1     Grant of Licence**

The Northern Ireland Authority for Energy Regulation (the “Authority”), in exercise of the powers conferred by Article 8(1) of the Gas (Northern Ireland) Order 1996 (the "Order"), and with the consent of the Department of Enterprise, Trade and Investment, grants to Premier Transmission Limited (registered number NI126421) (the "Licensee") a licence to convey gas in the area designated in Schedule 1 during the period specified in paragraph 3 below, subject to:

- (a) the standard conditions of licences for the conveyance of gas (the “Standard Conditions”) which are in accordance with Article 11(2) of the Order incorporated by reference in this Licence, subject to any modifications made to the Standard Conditions in accordance with any provision for the modification of the Standard Conditions in the Order or the Energy (Northern Ireland) Order 2003 (the “Energy Order”) or the Conditions;
- (b) the conditions included in the Licence in accordance with Article 10 of the Order  
  
(together the ‘Conditions’); and
- (c) the Schedules hereto.

2     Modification and Revocation of Conditions

The Conditions referred to above are subject to modification or amendment in accordance with their terms and/or with Articles 14, 17, 17A and 18 of the Order and/or with any provision for the modification of the same in the Energy Order. The Licence is further subject to the terms as to revocation specified in Schedule 2 annexed hereto.

3     Term of Licence

The Licence shall come into full force and effect at the end of the day on which the beneficial ownership of the entire issued share capital of Premier Transmission Limited is transferred to a new owner, provided such transfer and the identity of the new owner has been approved in writing by the Authority and, unless revoked in accordance with the terms specified in Schedule 2, shall continue in force until determined by not less than 25 years notice in writing given by the Department to the Licensee, such notice not to be served earlier than the tenth anniversary of the date that the Licence comes into full force and effect.

Dated this     day of

Signed

Chairman     .....

Northern Ireland Authority for Energy Regulation

## **PART 1**

### **GENERAL CONDITIONS APPLICABLE TO THE LICENCE HOLDER**

#### **Condition 1.1: Interpretation and Construction**

##### **1.1.1 Interpretation Act (Northern Ireland) 1954 and Gas (Northern Ireland) Order 1996**

Unless the contrary intention appears:

- (a) words and expressions used in this or any of the following Parts of the Licence or in the Schedules hereto shall be construed as if they were in an enactment and the Interpretation Act (Northern Ireland) 1954 applied to them;
- (b) references to an enactment shall include subordinate legislation and in both cases any statutory modification or re-enactment thereof after the date when the Licence comes into force; and
- (c) words and expressions defined in the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 shall have the same meaning when used in this or any of the following Parts of the Licence or in the Schedules hereto.

##### **1.1.2 General Rules of Construction**

Unless otherwise specified:

- (a) any reference to a numbered Part or Schedule is a reference to the Part or Schedule bearing that number;
- (b) any reference to a numbered Condition is a reference to the Condition bearing that number in the Part in which the reference occurs and within any Condition a reference to "this Condition" shall be to the whole of the Condition under its heading;
- (c) any reference to "the Conditions" means the Conditions to which the Licence is subject and references to "any Conditions" and to any cognate expression shall be construed accordingly;

- (d) any reference to a numbered paragraph is a reference to the paragraph bearing that number in the Part, Condition or Schedule in which the reference occurs; and
- (e) (without prejudice to any provision which restricts such variation, supplement or replacement) any reference to any agreement, licence (other than this Licence), code or other instrument shall include a reference to such agreement, licence, code or other instrument as varied, supplemented or replaced from time to time.

#### 1.1.3 Headings

The heading or title of any Part, Condition, Schedule or paragraph shall not affect the construction thereof.

#### 1.1.4 Time Related Obligations

Where any obligation of the Licensee is expressed to require performance within a specified time limit that obligation shall continue to be binding and enforceable after that time limit if the Licensee fails to perform that obligation within that time limit (but without prejudice to all rights and remedies available against the Licensee by reason of the Licensee's failure to perform within the time limit).

#### 1.1.5 Natural Persons

These Conditions shall have effect as if, in relation to a licence holder who is a natural person, for the words "it", "its" and "which" there were substituted the words "he", "his" or "whom" and cognate expressions shall be construed accordingly.

#### 1.1.6 Definitions

Except where expressly stated to the contrary and unless the context otherwise requires, the following terms shall have the meanings ascribed to them below:

"affiliate"	means, in relation to any person, any company which is a subsidiary of such person or a company of which such person is a subsidiary or a company which is
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	another subsidiary of a company of which such person is a subsidiary;
"amount"	means, in relation to gas, the energy content thereof expressed in therms or kilowatt hours; except with effect from 1st January 2000 it means the said content expressed in kilowatt hours;
"auditors"	means the Licensee's auditors for the time being holding office in accordance with the requirements of the Companies (Northern Ireland) Order 1986;
"authorisation of persons"	means the power of the Licensee to authorise persons, pursuant to Schedule 5 of the Order;
“Authority”	means the Northern Ireland Authority for Energy Regulation;
“balancing”	<p>means (in relation to the Network and relevant period for balancing under the Network Code) taking such measures as may be available to the Licensee, in particular measures:</p> <ul style="list-style-type: none"> <li>(i) for managing the relationship between deliveries of gas to and offtakes from the Network during that period; and</li> <li>(ii) to maintain pressures in the Network at all levels;</li> </ul> <p>which will in the reasonable opinion of the Licensee, ensure the safety and efficiency of the Network in that or any subsequent relevant period;</p>
“Business of the Economic Network”	means any business of the Licensee and of any affiliate or related undertaking of the Licensee related to the



	construction, development, operation, maintenance and/or administration of the Economic Network;
"company"	means a company within the meaning of Article 3 of the Companies (Northern Ireland) Order 1986 or any other body corporate;
"consumer"	means any person supplied with gas to premises;
"conveyance charges"	means the charges made by the Licensee for the conveyance of gas;
"conveyance services"	means all services provided by the Licensee of conveying gas to, through and within the Licensed Area;
“Department”	means the Department of Enterprise, Trade and Investment;
"distribution pipe-line"	means any pipe-line which is not a transmission pipe-line;
"domestic consumer"	means a consumer supplied, or requiring to be supplied, with gas at Domestic Premises;
"domestic premises"	means premises where the supply of gas is taken wholly or mainly for domestic purposes;
“Economic Network”	means all gas plant owned and/or operated and/or utilised by the Licensee from and about Twynholm in Scotland to and in Northern Ireland (comprising in respect of Northern Ireland, the Network);
“Energy Order”	means the Energy (Northern Ireland) Order 2003;
"exemption holder"	means the holder of an exemption under Article 7 of the Order;

"exercise of powers of Entry"	means the Licensee entering any premises, in accordance with the powers conferred by Schedule 5 of the Order;
"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;
"Grant"	means the commencing section of this Licence by which the Authority grants the Licensee the Licence;
"information"	includes documents, accounts, estimates, returns, reports or other information;
"Licence"	means this licence authorising the Licensee to convey gas in the Licensed Area, as granted to the Licensee under Article 8(1)(a) of the Order;
"Licensed Area"	means the area in which the Licensee is authorised to convey gas as described in Schedule 1;
"Licensed Business"	means the activities connected with the conveyance of gas pursuant to the Licence;
"Licensee"	means the company named in the Grant;
"LNG Facility"	means a facility or terminal used for the liquefaction of gas or the importation, offloading and re-gasification of LNG and includes ancillary services and temporary storage for the re-gasification process and delivery to the gas transmission system but does not include any part of the facility used for the storage of gas.
"Network"	“means all the pipe-lines (as defined by the Gas (Northern Ireland) Order 1996, and shall also include any plant, equipment or apparatus used for, or for any

purposes connected with, the conveyance of gas) within the Licensed Area that are owned and/or operated by any licensee, which pipe-lines shall, in the case of conveyance to consumer's premises and for the purposes of this definition, be deemed to terminate immediately prior to the inlet of the first gas meter at such premises:"

"Network Code" means the document prepared by the Licensee under Condition 2.4.2;

"non-domestic consumer" means a consumer who is not a domestic consumer;

"non-domestic premises" means premises which are not domestic premises;

"Order" means the Gas (Northern Ireland) Order 1996;

"owned" means in relation to any gas meter title in or control over a meter and includes meters leased to a person;

"person" means any company, firm, partnership, association, body corporate or individual;

"related undertaking" means any undertaking in which any person has a participating interest as defined by Article 268 of the Companies (Northern Ireland) Order 1986;

"separate accounts" means the accounts which are to be prepared for each Separate Business;

"Separate Business" means, each of the activities of the Licensee connected with:

- (a) the conveyance of gas by means of a transmission pipe-line pursuant to a licence granted in accordance with Article (8)(1)(a) of the Order;

- (b) the conveyance of gas by means of a distribution pipe-line pursuant to a licence granted in accordance with Article (8)(1)(a) of the Order;
- (c) the storage of gas pursuant to a licence granted in accordance with Article 8(1)(b) of the Order; and
- (d) the supply of gas pursuant to a licence granted in accordance with Article 8(1)(c) of the Order;

each taken separately from one another and from any other business of the Licensee or any affiliate or related undertaking of the Licensee, but so that where all or any part of any such business is carried on by an affiliate or related undertaking of the Licensee (save in respect of an affiliate or related undertaking which has a separate licence or exemption), such part of the business as is carried on by that affiliate or related undertaking shall be consolidated with any other such business of the Licensee (and of any other affiliate or related undertaking of the Licensee) so as to form a single Separate Business;

“ Storage Facility”

means a facility used for the storage of gas and includes any part of a LNG Facility used for storage but does not include:

- (a) any part of the facility that is used for production of gas, and
- (b) any facility which is reserved exclusively by or for the Licensee in carrying out functions authorised by the Licence.

“subsidiary”

has the same meaning as given to it in Article 4 of the Companies (Northern Ireland) Order 1986;

"transmission pipe-line" means any pipe-line having a design operating pressure exceeding 7 bar gauge; and

"transportation arrangements" means the arrangements which licence holders or exemption holders may have with the Licensee to have gas introduced into, conveyed by means of and taken out of the Network.

1.1.7 References to energy

References to amounts of gas in therms shall, with effect from 1st January 2000, be converted to equivalent amounts of gas in kilowatt hours.

1.1.8 Singular/plural

The terms defined under Condition 1.1.6 shall include the singular and the plural, as the context requires.

1.1.9 Application

The Conditions shall only apply to the activities of the Licensee carried out in Northern Ireland.

## **Condition 1.2: Separate Accounts for the Business of the Economic Network**

### **1.2.1 Financial years**

For the purposes of this Condition the first financial year of the Licensee shall run from the date of Grant to 31st March 2008 and thereafter each financial year of the Licensee shall run from 1st April to the following 31st March.

### **1.2.2 Separate Business Accounting**

This Condition applies for the purposes of ensuring that the Licensee (in conjunction with any affiliate or related undertaking of the Licensee) maintains internal accounting and reporting arrangements which:

- (a) enable financial statements to be prepared for the Business of the Economic Network and showing the financial affairs of the Business of the Economic Network; and
- (b) facilitate the avoidance of discrimination, cross-subsidisation or distortion of competition between the Business of the Economic Network and any other business of the Licensee.

In this regard the Licensee shall not be required to prepare such financial statements as if they were annual accounts prepared under Article 236 of the Companies (Northern Ireland) Order 1986, but shall be required to prepare such accounts in accordance with this Condition.

### **1.2.3 Separation of Internal Accounts**

The Licensee shall keep proper books of account and records in such a form that the revenues and costs, assets and liabilities of, or reasonably attributable to, the Business of the Economic Network are separately identifiable in the books of the Licensee from those of any other business. Then the Licensee shall, so far as is reasonably practicable, prepare for the Business of the Economic Network on a consistent basis with its accounting records in respect of each financial year, financial statements comprising:

- (a) a profit and loss account;

- (b) a statement of net assets at the end of the period;
- (c) a cash flow statement for the period with a reconciliation to the financial statements specified in sub-paragraphs (a) and (b) above; and
- (d) Balance sheet.

#### 1.2.4 Apportionment

The financial statements prepared under Condition 1.2.3 shall set out and fairly present the costs (including depreciation), revenues, assets employed and liabilities of, or as may be reasonably attributable to, the Business of the Economic Network and showing separately and in appropriate detail the amounts of any revenue, cost, asset or liability which has been:

- (a) charged from or to any other business of the Licensee (or of any affiliate or related undertaking of the Licensee); and/or
- (b) apportioned between the Business of the Economic Network and any other business (such apportionment to be undertaken in accordance with the basis of apportionment approved by the Authority in accordance with Condition 1.2.5) ,

together with a description of the charge or basis of apportionment.

#### 1.2.5 Bases of apportionment

The Licensee shall, no later than the date that the Licence comes into full force and effect, notify the Authority of the basis of apportionment that it proposes to use for the financial statements in respect of the Business of the Economic Network for that financial year, and:

- (a) the basis of apportionment in respect of those financial statements shall be the basis so proposed by the Licensee unless the Authority following consultation with the Licensee gives a direction requiring the use of any other basis; and

- (b) except in so far as the Authority consents to the Licensee doing so the Licensee shall not change any basis of apportionment used in the financial statements in respect of the Business of the Economic Network for any financial year subsequent to the financial year commencing on 1 January 2005 from the basis used in the financial statements in respect of the Business of the Economic Network for that financial year.

#### 1.2.6 Auditor's Reports

In respect of each set of financial statements prepared in accordance with this Condition in respect of a financial year, the Licensee shall:

- (a) procure a report by the auditors and addressed to the Authority stating whether in their opinion that set of financial statements have been properly prepared in accordance with this Condition and give a true and fair view of the revenues, costs, assets and liabilities of, or reasonably attributable to, the Business of the Economic Network; and
- (b) use its reasonable endeavours to procure a report by the auditors and addressed to the Authority verifying that the internal accounting and financial reporting arrangements of the Licensee are implemented in such a way as to ensure that there is no discrimination, cross-subsidisation or distortion of competition between the Business of the Economic Network and any other business of the Licensee.

#### 1.2.7 Copies of accounts and auditor's reports to be provided to the Authority

The Licensee shall provide the Authority with a copy of each set of financial statements and auditor's reports required under this Condition as soon as reasonably practicable and in any event not later than six months after the end of each financial year.

#### 1.2.8 Form of financial statements

Financial statements prepared for the purposes of this Condition shall, so far as reasonably practicable and unless otherwise approved by the Authority having regard to the purposes of this Condition:

- (a) conform to UK generally accepted accounting principles and practices;



- (b) state the accounting policies adopted; and
- (c) be so prepared to a level of detail as may reasonably be required by the Authority and so that they may be reconciled with the published accounts of the Licensee under the Companies (Northern Ireland) Order 1986.

#### 1.2.9 Publication of Accounting Statements

The Authority may direct the Licensee to publish such accounting statements and reports (including but not limited to an auditor's report) as the Licensee is required to deliver to the Authority under this Condition 1.2 with the annual accounts of the Licensee.

#### 1.2.10 Construction of "costs or liabilities"

References in this Condition to costs or liabilities of, or reasonably attributable to, the Business of the Economic Network shall be construed as excluding taxation, capital liabilities which do not relate principally to the Business of the Economic Network, and interest thereon; and references to any accounting statement shall be construed accordingly.

#### 1.2.11 Additional Definition

"UK generally accepted accounting principles and practices" means the principles and practices prevailing from time to time in the United Kingdom which are generally regarded as permissible or legitimate by the accountancy profession irrespective of the degree of use.

#### 1.2.12 Related Undertakings

The Licensee shall set out in notes to its annual account any transactions relating to the Business of the Economic Network over £500,000 with related undertakings.

For the purpose of this Condition 1.2.12, a "related undertaking" is:

- (a) any company in respect of which the Licensee (or its parents or subsidiaries) holds 20% or more of the shares;

- (b) any company in respect of which the Licensee (or its parents or subsidiaries) has the right to appoint or to remove a majority of the members of the board and is at the same time either a shareholder in that company or controls, pursuant to a shareholders' agreement, a majority of voting rights in that undertaking.

#### 1.2.13 Provision of Accounts to the Department

The Licensee shall, where requested to do so by the Department, provide to the Department a copy of its accounting records for the period specified in the request.

### **Condition 1.3: Provision of Information to the Authority**

#### **1.3.1 Furnishing information**

Subject to Conditions 1.3.2 and 1.3.3 below, the Licensee shall, furnish to the Authority, in such a manner and at such times as the Authority may reasonably require, such information or as may be necessary for the purpose of performing any of its functions relating to gas as conferred on, or assigned or transferred to, it by or under any legislation.

#### **1.3.2 Licensee to comment on accuracy of information**

This Condition shall not apply in respect of any function of the Authority under Articles 14(1)(a) and 27 of the Order or under Article 7 of the Energy Order but the Licensee shall, if requested by the Authority, give reasoned comments on the accuracy (so far as it relates to the Business of the Economic Network), of any information or advice which the Authority proposes to publish pursuant to Article 7 of the Energy Order.

#### **1.3.3 Condition 1.3 exclusive of other powers to require information**

The power of the Authority to call for information under this Condition is in addition to the power of the Authority to call for information under or pursuant to any other Condition or any Schedule.

#### **1.3.4 Condition 1.3 and other powers to require information**

Where the Licensee is or can be required to provide information to the Authority under any Condition other than this Condition, there shall be a presumption that the provision of that information in accordance with the Condition in question is sufficient for the purposes of that Condition, but that presumption shall be rebutted and shall not limit the right of the Authority to call for further information under Condition 1.3.1 if it states in writing that in its opinion such information is, or is likely to be, necessary to enable it to exercise functions under the Condition in question.

#### 1.3.5 Limitation on obligation to furnish information

This Condition shall not require the Licensee to furnish any information which the Licensee could not be compelled to produce or give in evidence in civil proceedings in the High Court.

#### **Condition 1.4: Consultation with the Consumer Council for Northern Ireland**

##### **1.4.1 Policy statements for Consumer Council for Northern Ireland**

The Licensee shall in due time consult with the Consumer Council for Northern Ireland in the formulation of:

- (a) its policies for the conduct of its business activities relating to the conveyance of gas insofar as they may affect consumers; and
- (b) the general arrangements for their implementation;

and shall:

- (c) give the Consumer Council for Northern Ireland reasonable notice of the publication, announcement or implementation (if no publication or announcement is made) of details of any significant change in any such policies and general arrangements; and
- (d) give to the Consumer Council for Northern Ireland as the Consumer Council for Northern Ireland may reasonably request an explanation of any such significant change and of the implementation of those policies.

#### **Condition 1.5: Restriction on Use and Disclosure of Certain Information**

##### **1.5.1 Use of protected information**

Where the Licensee or any affiliate or related undertaking of the Licensee holds protected information, the Licensee shall (and shall procure that such affiliate or related undertaking shall) procure:

- (a) that the Licensee shall not obtain any unfair commercial advantage from its possession of protected information with respect to any Separate Business;
- (b) that protected information is not used by any other person for the purpose of obtaining for that person:
  - (i) any unfair commercial advantage from its possession of protected information;
  - (ii) any licence;

- (iii) any exemption;
- (iv) control of any body corporate which, directly or indirectly, has the benefit of any such licence or exemption; and
- (c) that protected information is not disclosed except with the prior consent in writing of the relevant person to whose affairs the protected information relates,

provided that the obligation on the Licensee:

- (d) to procure the above in relation to an affiliate or related undertaking which has control of the Licensee (control being defined by Section 450 of the Corporation Tax Act 2010), shall be to do so using reasonable endeavours and obtaining an appropriate contractual undertaking from that affiliate or related undertaking in respect of such protected information; and
- (e) not to obtain any unfair commercial advantage from its possession of protected information under Condition 1.5.1(a) shall be construed to exclude protected information received by any Separate Business, if applicable, not engaged in the conveyance of gas independently of the Separate Business engaged in the conveyance of gas.

#### 1.5.2 Compliance with directions

The Licensee shall implement such measures and procedures and take all such other steps as shall be specified in directions issued by the Department from time to time under Article 45 of the Order or otherwise for the purposes of this Condition as reasonably appear to the Department to be requisite or expedient for the purpose of securing compliance by the Licensee with its obligations under Condition 1.5.1 in the conduct of its business to convey gas.

#### 1.5.3 Limitation of non disclosure obligations

Condition 1.5.1(c) shall not apply to any disclosure of information:

- (a) authorised by Article 63(3) or (4) of the Energy Order; or

- (b) made in compliance with the duties of the Licensee or any affiliate or related undertaking of the Licensee under the Order or the Energy Order or by any other requirement of a competent authority; or
- (c) made in compliance with the Conditions of the Licence or any document referred to in the Licence with which the Licensee or any affiliate or related undertaking of the Licensee is required by virtue of the Order or the Energy Order or the Licence to comply.

#### 1.5.4 Additional definition

In this Condition:

**"protected information"**

means any commercially confidential information which:

- (a) relates to the affairs of a person; and
- (b) has been furnished to, or otherwise acquired by, the Licensee or by any affiliate or related undertaking of the Licensee in the course of any dealings with that person or any affiliate or related undertaking of his,

other than information which is in, or comes into, the public domain other than as a result of breach by the Licensee of any Condition of the Licence.

## **Condition 1.6: Powers of Entry**

### **1.6.1 Arrangements for powers of entry**

The Licensee shall, unless it has done so before being licensed, within six months of the Licence coming into force:

- (a) submit to the Authority a statement of its proposed arrangements in respect of the matters mentioned in Condition 1.7;
- (b) if within 30 days of such submission the Authority notifies the Licensee that, in its opinion, the arrangements are not sufficient for the purposes of Condition 1.7, make changes to the arrangements requisite to secure compliance with such conditions as are specified by the Authority; and
- (c) make such arrangements;

and the arrangements so made in this Condition and in Condition 1.7 are referred to as the “arrangements”.

### **1.6.2 Changes in arrangements for extensions to Licence**

In the event of an extension of its Licence, the Licensee shall ensure that the arrangements remain sufficient for the purposes of Condition 1.7 and shall make, subject to Condition 1.6.3, any necessary changes.

### **1.6.3 Consent of Authority to changes**

The Licensee shall not make any material change to the arrangements except with the consent of the Authority, which consent shall not be unreasonably withheld and shall be deemed to have been given, unless refused in writing within 2 months of receipt by the Authority of the application to make a material change by the Licensee.

### **1.6.4 Conduct with domestic consumers**

The Licensee shall use its best endeavours to ensure that, so far as is reasonably practicable, when exercising powers of entry under Schedule 5 to the Order, it conducts itself towards domestic consumers to whose premises the Licensee arranges for gas to be conveyed in conformity with the arrangements.



## **Condition 1.7: Authorisation of Persons**

### **1.7.1 Steps to be included in the arrangements**

The arrangements shall comprise all reasonable steps:

- (a) for securing that no person is authorised for the purpose of any provision of Schedule 5 to the Order unless in the reasonable opinion of the Licensee he is a fit and proper person to enjoy the rights conferred by that provision;
- (b) for securing that any person authorised for the purpose of any provision of Schedule 5 to the Order possesses appropriate expertise to perform the particular task that he will be required to undertake under the provision in question;
- (c) for securing that a member of the public may readily confirm the identity or authority of a person authorised for the purpose of any provision of Schedule 5 to the Order;
- (d) for securing that identity cards, uniforms, liveried vehicles and other things conveying evidence of authority or identity in relation to the Licensee are not misused; and
- (e) for securing that all persons authorised by the Licensee comply with the provisions for entry where any justices' warrant is issued under Schedule 5 paragraph 6 to the Order.

### **1.7.2 Licensee not to authorise a person to exercise any powers of entry unless steps described in the arrangements above are complied with**

The Licensee shall not authorise any person to exercise any powers of entry conferred by Schedule 5 to the Order unless the steps provided for in the arrangements described in Condition 1.7.1(a), (b) and (c) have been complied with and it appears to the Licensee that he is such a fit and proper person.

1.7.3 Licensee to take reasonable steps to keep relevant persons informed

Except in so far as the Authority otherwise consents, if in respect of any premises any person so authorised is an officer or employee of an agent of the Licensee, the Licensee shall take reasonable steps to inform and keep informed all persons to whom the information is relevant, including its domestic consumers and any other licence holders, naming the agent in question and shall give that information in a verifiable and authoritative manner.

### **Condition 1.8: Exercise of Powers of Entry**

#### **1.8.1 Licensee to avoid undue disturbance**

In exercising the powers of entry conferred on it by Schedule 5 to the Order, the Licensee shall avoid undue disturbance to owners or occupiers of premises as a result of visits being made to their premises by persons authorised by the Licensee.

#### **1.8.2 Construction of Condition 1.8.1**

In this Condition any reference to the conferring on the Licensee of powers of entry under Schedule 5 to the Order or to the exercise of such powers shall be construed as a reference to the conferring on a person authorised by the Licensee of such powers and the exercise by such an authorised person of those powers.

## **Condition 1.9: Modifications**

### **1.9.1 Modification of Licence Conditions**

The Conditions of the Licence are subject to modification in accordance with their terms or with Articles 9, 14, 17, 17A, or 18 of the Order or with any provision for the modification of the same in the Energy Order.

### **Condition 1.10: Assignment of Licences**

#### **1.10.1 Licensee's ability to assign its Licence**

For the purposes of Article 12 of the Order, the Licensee with the prior consent of the Authority may assign the Licence either generally, or so far as relating to the whole or any part of the Licensed Area.

#### **1.10.2 Matters affecting an assignment**

In deciding whether to give its consent under Condition 1.10.1 the Authority shall apply those criteria contained in Article 12(3) of the Order, and any consent shall be subject to compliance with the matters determined by the Authority under Article 12(4) of the Order.

#### **1.10.3 Licensee may not otherwise assign its Licence**

Save as the Licensee is authorised to assign the Licence under this Condition, the Licensee may not otherwise assign the Licence without the consent of the Authority.

### **Condition 1.11: Transfer of Business**

#### **1.11.1 Restrictions on transfer of business in conveying gas**

Subject to Condition 1.11.2, the Licensee shall not transfer to another person (the "transferee") all or part of any of its business comprising the conveyance of gas carried out under the Licence.

#### **1.11.2 Exception to Conditions 1.11.1**

Nothing in Condition 1.11.1 prevent the Licensee from transferring all or the relevant part of its business to the transferee where the Authority has consented to the assignment of all or the relevant part of the Licence under Article 12 of the Order or the Licensee has assigned all or the relevant part of the Licence in accordance with Condition 1.10.

## **Condition 1.12: Disposal of Relevant Assets**

### **1.12.1 Licensee not to dispose of or relinquish operational control of relevant assets**

Except:

- (a) in relation to an assignment permitted under Condition 1.10 and the disposal or relinquishing of operational control of any relevant asset necessary for the assignment to have effect; or
- (b) in relation to a transfer of business permitted under Condition 1.11 and the disposal or relinquishing of operational control of any relevant asset necessary for the transfer to have effect; or
- (c) in so far as the Authority consents to the Licensee so doing; or
- (d) where the Licensee has relevant assets which do not form an integral part of the Network, or are not otherwise required for continuous system control and data acquisition or the safe and continuous operation of the Network, which may be the subject of arms length asset and financing leasing arrangements;

the Licensee shall not dispose of or relinquish operational control over any relevant asset if the disposal or relinquishing of control would materially affect its ability to discharge its obligations under the Order or the Energy Order or the carrying on of activities authorised or required by the Licence and any question arising under this Condition 1.12.1 as to whether such disposal or relinquishing of control is such as aforesaid shall be determined by the Authority.

### **1.12.2 Notice to be given to Authority**

Save as provided in Condition 1.12.3 or in so far as the Authority otherwise consents, the Licensee shall give to the Authority not less than two months prior written notice of its intention to dispose of or relinquish operational control over any relevant asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset.

#### 1.12.3 Notice not required for minor disposals

The Licensee shall not be required to give the Authority any notice of its intention to dispose of or relinquish operational control of any relevant asset having a value of less than £20,000 in September 1996 prices (such sum to be adjusted annually by reference to the retail price index), provided that:

- (a) the disposal of or relinquishing of operational control of such relevant asset would not materially affect the Licensee's ability to discharge its obligations under the Order or the Energy Order or the carrying on of activities required by the Licence; and
- (b) the disposal or relinquishing of any such relevant assets does not exceed an aggregate value of £20,000 in September 1996 prices (such sum to be adjusted annually by reference to the retail price index), in any period of twelve months.

#### 1.12.4 Disposal allowed with consent of the Authority

The Licensee may dispose of or relinquish operational control over any relevant asset where:

- (a) the Authority confirms in writing that it consents to such disposal or relinquishment before such disposal or relinquishment occurs (which consent may be made subject to the acceptance by the Licensee or any third party in favour of whom the relevant asset is proposed to be disposed or operational control is proposed to be relinquished of such conditions as the Authority may specify); or
- (b) the Authority does not inform the Licensee in writing of any objection to such disposal or relinquishment of control within the notice period referred to in Condition 1.12.2.

#### 1.12.5 Consultation with other licence holders

Any consent of the Authority pursuant to Condition 1.12.4 shall be given after the Authority shall have consulted and taken into consideration any representations made in a timely manner by any other licence holder liable to be materially affected by the disposal in question.

#### 1.12.6 Additional Definitions

In this Condition:



"disposal"

includes any sale, assignment, gift, exchange, lease, licence, the grant of any right of possession, loan, security, mortgage, charge or the grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition to a third party and "dispose" shall be construed accordingly.

"relevant asset"

means any part of the Network operated from time to time by the Licensee or any gas plant used by the Licensee for or for purposes connected with the conveyance of gas, together with any estate or interest in land required for the utilisation of the Network or gas plant, and any intangible assets (including patents, copyright, design rights and other similar rights) relating to or arising from its business.

### **Condition 1.13: Payment of Fees to the Authority**

1.13.1 In respect of each year, beginning on 1 April, during which the Licence is in force, the Licensee shall pay to the Authority a fee of the amount determined in accordance with this Condition (the **licence fee**).

1.13.2 The Licensee shall pay to the Authority the licence fee for each year (the **relevant year**) within 30 days of the Authority giving notice to the Licensee of the amount due from the Licensee for the relevant year.

1.13.3 For each relevant year, the licence fee shall be the total of:

- (a) an amount that is the Relevant Contribution to the Estimated Costs of the Authority for the relevant year;
- (b) an amount that is the Relevant Contribution to the Estimated Costs of the Consumer Council for Northern Ireland with regard to the exercise of its functions relating to gas consumers for the relevant year; and
- (c) an amount which is the difference (which may be a positive or negative amount), if any, between:
  - (i) the licence fee that would have been due from the Licensee for the year immediately preceding the relevant year (the **previous year**) had such fee been calculated in relation to the actual costs of:
    - (A) the Authority for the previous year; and
    - (B) the Consumer Council for Northern Ireland with regard to the exercise of its functions relating to gas consumers for the previous year; and
  - (ii) the licence fee paid by the Licensee for the previous year,

provided that where the Licence is in force for only a part of the relevant year, the amount payable in respect of that year shall be a proportionate part of the licence fee due for the full year.

1.13.4 Where:

- (a) the Estimated Costs of the Authority or of the Consumer Council for Northern Ireland are revised during the course of the relevant year (**Revised Costs**);
- (b) the Licensee has paid the licence fee for the relevant year; and
- (c) the Revised Costs would, had they applied to the calculation of the licence fee paid by the Licensee, have resulted in the calculation of a lower licence fee than that paid by the Licensee,

the Authority may, where it is reasonable for it to do so taking into consideration the timing of the Revised Costs and the provisions of paragraph 1.13.3(c), refund to the Licensee the difference between the amount of the licence fee paid by the Licensee and the amount of the lower licence fee referred to in paragraph 1.13.4(c) above.

1.13.5 Where the Licensee fails to pay the amount of the licence fee as notified to it under paragraph 1.13.2 above within the 30 day period specified, it shall with effect from the end of that 30 day period pay simple interest on the amount at the rate which is from time to time equivalent to the base lending rate of an institution designated by the Authority for this purpose.

1.13.6 In this Condition:

“Estimated Costs”

- (i) in relation to the costs of the Authority, means the costs estimated by the Authority as likely to be its costs for the relevant year as calculated in accordance with the Principles; and
- (ii) in relation to the costs of the Consumer Council for Northern Ireland , means either:
  - (A) the costs notified to the Authority by the Consumer Council for Northern Ireland as its estimated costs for the relevant year as approved by the Department; or
  - (B) in the event that the Authority does not receive such notification by 31 July in the relevant year, the costs estimated by the Authority (having regard to any estimate of

such costs in any forward work programme published by the Consumer Council for Northern Ireland in respect of the relevant year) as likely to be the costs of the Consumer Council for Northern Ireland for the relevant year.

“Principles”	means the principles determined by the Authority for the purposes of this Condition generally, following consultation with the Licensee and with others likely to be affected by the application of such principles and as notified to the Licensee in writing.
“Relevant Contribution”	means, in respect of the Estimated Costs, the level of contribution to those costs applicable, whether by way of a specified amount or a stated proportion, to the Licensee as determined under or in accordance with the Principles.

#### **Condition 1.14: Notices**

##### **1.14.1     Notices**

All notices to be given under any Condition shall be in writing and shall be deemed to have been properly given if delivered in person or sent by registered mail or transmitted by facsimile to the relevant party at the address set out below or at such other address as that party may from time to time specify in writing to the others:

Licensee:	Premier Transmission Limited (C/O Arthur Cox) Capital House 3 Upper Queen Street Belfast BT1 6PU
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Authority:	Northern Ireland Authority for Energy Regulation
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Brookmount Buildings,  
42 Fountain Street,  
Belfast, BT1 5EE

Facsimile Telephone Number (02890) 311740

Department: Department of Enterprise, Trade and Investment,  
Energy Division,  
Netherleigh House,  
Massey Avenue,  
Belfast, BT4 2JP

Facsimile Telephone Number (02890) 529549

#### 1.14.2 Receipt

Any notice given under the provisions of Condition 1.14.1 shall be deemed to have been duly delivered and received:

- (i) at the actual time of delivery, if delivered personally;
- (ii) three (3) working days subsequent to the date of posting, if sent by registered mail;  
and
- (iii) at the time of receipt, if transmitted by facsimile where there is confirmation of uninterrupted transmission by a transmission report and provided that the original of the notice is then delivered personally or sent by registered mail as soon as reasonably practicable.

**Condition 1.15: Not Used**

**Condition 1.16: Not Used**

**Condition 1.17: Not Used**



**Condition 1.18: Not Used**

**Condition 1.19: Not Used**

**Condition 1.20: Not Used**

## **Condition 1.21: Regulatory Instructions and Guidance**

### **1.21.1 Introduction**

- (a) The purpose of this Condition 1.21 is to set out the scope, contents, and common governance arrangements for the Regulatory Instructions and Guidance (“**RIGs**”) published by the Authority pursuant to this condition.
- (b) The RIGs are the primary means by which the Authority directs the Licensee to collect and provide the information to the Authority that the Authority needs to enable it to administer the Price Control Conditions Part 3 of this licence and any determinations made by the Authority under or for the purposes of the Price Control Conditions.

### **1.21.2 Licensee’s obligation under this condition**

- (a) Unless and so far as the Authority otherwise consents, the Licensee must have in place and maintain appropriate systems, processes, and procedures to enable it:
  - (i) to estimate, measure, and record the information detailed in the RIGs (“specified information”); and
  - (ii) to provide such information to the Authority in respect of such periods and within such timeframes as are specified in the RIGs.
- (b) To facilitate compliance with paragraph (a) of this Condition 1.21.2, the accounting records and other records kept by the Licensee with respect to the specified information must:
  - (i) be so arranged as to ensure that such information can be separately identified and reasonably attributed as between the Licensee’s business and the business of any affiliate or related undertaking of the Licensee; and
  - (ii) be maintained for a period of eight years, or such shorter period as set out in the RIGs, from the date that they are made.

### **1.21.3 Scope and content of RIGs**

- (a) Subject to paragraphs (b) and (c) of this Condition 1.21.3, the matters that may be included, or for which provision may be made, in the RIGs are:
- (i) instructions and guidance on the establishment of systems, processes, procedures, and ways for recording and providing specified information;
  - (ii) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of specified information (including different classes of such information);
  - (iii) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards;
  - (iv) the methodology for calculating or deriving numbers comprising specified information;
  - (v) provision with respect to the meaning of words and phrases used in defining specified information;
  - (vi) requirements as to the form and manner in which, or the frequency with which, specified information must be recorded;
  - (vii) requirements as to the form and manner in which, or the frequency with which, specified information must be provided to the Authority;
  - (viii) requirements as to which (if any) of the specified information is to be subject to audit, the terms on which an auditor is to be appointed by the Licensee for that purpose, and the nature of the audit to be carried out by that person;
  - (ix) requirements as to the circumstances in which the Authority may appoint an examiner to examine the recording of the specified information by the Licensee;
  - (x) a statement on whether and to what extent each category of the specified information is required for the purposes of the RIGs; and
  - (xi) provision about how the Authority intends to monitor, assess, and enforce compliance with the RIGs (as to which, see also Condition 1.21.6).

- (b) The provisions of the RIGs must not exceed what is reasonably required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the Licensee in complying with those provisions.
- (c) No specified information may exceed what could be requested from the Licensee by the Authority under Condition 1.3.1.

1.21.4 Development and modification of the RIGs

- (a) The Authority may issue new RIGs or modify any existing RIGs by issuing a direction for that purpose to the Licensee.
- (b) Data collected in relation to each formula year must be reported according to the RIGs issued to the Licensee by the Authority as they may be (where applicable) modified in line with this Condition 1.21.4 and with Condition 1.21.5.
- (c) A direction issued by the Authority under paragraph (a) of this Condition 1.21.4 will be of no effect unless the Authority has first:
  - (i) given notice to the Licensee that it proposes to issue new RIGs or (as the case may be) to modify the RIGs:
    - (A) specifying the date on which it proposes that the provisions of the document to be issued or modified should take effect;
    - (B) setting out the text of the RIGs to be issued or (as the case may be) modified and the Authority's reasons for proposing to issue or modify it; and
    - (C) specifying the time (which will not be less than a period of 28 days from the date of the notice) within which representations in response to such proposals may be made; and
  - (ii) considered any representations in response to the notice that are duly made and not withdrawn.
- (d) The requirements for the issuing of new RIGs or modification of existing RIGs set out in paragraph (c) of this Condition 1.21.4 may be satisfied by actions taken by the Authority before as well as after the coming into effect of this condition.

#### 1.21.5 Requirements for new or more detailed information

- (a) This Condition 1.21.5 applies if any modified or new RIGs have the effect of introducing a requirement to provide:
  - (i) a new category of specified information; or
  - (ii) an existing category of specified information to a greater level of detail, which has not previously been collected by the Licensee, whether under the provisions of the RIGs or otherwise.
- (b) Where this Condition 1.21.5 applies, the Licensee may provide estimates to the Authority in respect of the relevant category of specified information for any formula year specified by the Authority.
- (c) The estimates that are mentioned in paragraph (b) of this condition may be derived from such other information available to the Licensee as may be appropriate for that purpose.

#### 1.21.6 Compliance with the provision of the RIGs

- (a) The Licensee must at all times comply with the provisions of the RIGs for the time being in force pursuant to this condition.
- (b) Where the Licensee holds more than one gas conveyance licence within a single legal entity, it must comply with the requirements of this condition separately in respect of each such licence.
- (c) Nothing in this condition requires the Licensee to provide any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

#### 1.21.7 Definitions

For the purposes of this condition:

<b>"examiner"</b>	means, in relation to the RIGs, a person whose degree of knowledge and experience of the matters
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that are the subject of the RIGs will enable him to properly carry out and complete the tasks required of him under the terms of his nomination by the Authority pursuant to the provisions of the RIGs;

**"specified information"** means information (or a category of information) that is so described or defined in the RIGs.

**"Price Control Conditions"** Means condition 3.1.6 in this Licence



**PART 2**

**CONDITIONS APPLICABLE TO THE CONVEYANCE OF GAS BY THE  
LICENCE HOLDER**

## **Condition 2.1: Territorial Scope**

### 2.1.1 Territorial Scope

The Licensee is authorised to convey gas from one place to another in the Licensed Area and is further authorised to convey gas in other areas in Northern Ireland in order to convey gas to the Licensed Area.

### 2.1.2 Conveyance of Gas for Transhipment

Nothing in Condition 2.1.1 shall exclude the entitlement of any other person authorised by licence or exemption to convey gas through pipe-lines in the Licensed Area.

## **Condition 2.1A: Supplier of Last Resort**

2.1A.1 Following the issue of a Last Resort Supply Direction, the Licensee shall (and shall procure that its Agents or Sub-contractors shall) use all reasonable endeavours to comply with any relevant arrangements that have been prepared and maintained by Gas Industry Representatives and approved by the Authority (that are in place from time to time) and that outline the processes that should be followed both in the initiation of, during and after the circumstances following the issue of a Last Resort Supply Direction.

2.1A.2 In this Condition:

<b>Agent or Sub-contractor</b>	means any person directly or indirectly authorised to represent the Licensee.
<b>Gas Industry Representatives</b>	means representatives from gas suppliers, distribution system operators, transmission system operators and also the Consumer Council for Northern Ireland.
<b>Last Resort Supply Direction</b>	means a direction given by the Authority to the Licensee that specifies or describes the premises to be supplied with gas in accordance with Article 24A of the Order.

**Condition 2.2: Conveyance Charges, Other Terms for the Conveyance of Gas and the provision of Conveyance services**

In respect of any Gas Year (as defined in Condition 2A.1.1) or part of a Gas Year where a Designation Order (as defined in Condition 2A.1.1) is not in force in relation to all or part of the Network, the Licensee shall be subject to the provisions of Conditions 2.2.1, 2.2.2, 2.2.3,,2.2.4 and 2.2.8. For the avoidance of doubt the Licensee shall not be subject to such provisions in respect of any Gas Year or part of a Gas Year for which a Designation Order is in force.

**2.2.1 Determination of conveyance charges by the Licensee**

The Licensee shall establish the methods and principles on which transmission charges shall be determined for gas suppliers wishing and entitled (or entitled within the Gas Year in respect of which the methods and principles shall be determined for the next following Gas Year) to use the Network and, provided the Authority's approval has been obtained in accordance with Condition 2.2.3, the Licensee shall publish the same in accordance with Condition 2.2.2. Those methods and principles shall ensure cost recovery in each Post-Finance Gas Year (as defined in Condition 3.1.10.2) in accordance with Condition 3.1.10 and, in each Finance Gas Year (as defined in Condition 3.1.10.2) in accordance with the other provisions of Condition 3.1.

**2.2.2 Publication of conveyance charges and other terms for the conveyance of gas**

Subject to Condition 2.2.3:

- (a) the Licensee shall (no later than 1 October in each preceding year) for the forthcoming Gas Year publish a statement of:
  - (i) its conveyance charging methodology for the use of the Network by gas suppliers for the forthcoming Gas Year, by which any such gas supplier may reasonably be able to calculate applicable conveyance charges; and
  - (ii) its other terms for the use by them of the Network (and in relation to the Network Code by reference to the Network Code);

in such manner as will secure adequate publicity for it; and

- (b) the Licensee shall send a copy of any such statement to any person who asks for one;

and subject to Condition 2.2.4(b) such statement shall clearly distinguish cases and classes of cases of gas supplier for whom the conveyance charging methodology may result in differing conveyance charges.

### 2.2.3 Approval of Authority to conveyance charges and other terms for the conveyance of gas

No later than one month and five working days before it intends to publish its statement under Condition 2.2.2 the Licensee shall notify the Authority of the contents of that statement, and:

- (a) provide the Authority with such information as will enable the Authority to be reasonably satisfied that the methodology and principles for the conveyance charges have been determined to ensure cost recovery in the manner referred to in Condition 2.2.1;
- (b) provide the Authority with an explanation of the other terms for conveyance set out in the statement; and
- (c) prior to publication, obtain the Authority's approval to the form and content of that statement.

### 2.2.4 Charging for the conveyance of gas and prohibition on undue discrimination

The Licensee shall:

- (a) unless the Authority otherwise consents, not charge for the conveyance of gas in the Network during any year or apply other terms for the conveyance of gas on any basis other than contained in its statement of conveyance charges published under Condition 2.2.2 in respect of that year;
- (b) not show any undue preference towards or undue discrimination against any gas supplier or case or classes of cases of gas supplier in the conveyance charges made or other terms for the conveyance of gas applied in relation to the Network; and
- (c) within 28 days of receiving a request for the quotation of conveyance charges for specified conveyance services by a gas supplier, provide the gas supplier with a specific statement of the conveyance charges and other terms for the conveyance

of gas applicable to the conveyance services for which the gas supplier requested a quotation;

and for the purposes of Condition 2.2.4(c) and the Licensee's obligation to provide a specific statement of conveyance charges, a request for the quotation of conveyance charges for specified conveyance services shall be treated as such if it is in such form as the Licensee can reasonably be expected to provide a specific statement of conveyance charges in return.

2.2.5 Licensee's obligation to provide services for the conveyance of gas in accordance with the Network Code

The Licensee shall provide gas suppliers with conveyance services in accordance with the Network Code.

2.2.6 Resolution of Disputes

Where:

- (a) there is a dispute, between the Licensee and any person entitled or claiming to be entitled to be provided with conveyance services by the Licensee pursuant to this Condition 2.2, in respect of the terms of the agreement offered by the Licensee to such person pursuant to this Condition 2.2, any party to the dispute may make an application to the Authority to determine the terms of the agreement in dispute.
- (b) the Authority receives an application pursuant to sub-paragraph (a) and the dispute:
  - (i) has not previously been referred by either party to the Consumer Council for Northern Ireland for investigation; or
  - (ii) has previously been referred by one of the parties to the Consumer Council for Northern Ireland but the Consumer Council for Northern Ireland has advised the Authority that it has not concluded its investigation of the dispute.

the Authority may refer the dispute to the Consumer Council for Northern Ireland for the purposes of enabling the Consumer Council for Northern Ireland to assist the parties in the resolution of the dispute;

- (c) the Authority refers the dispute to the Consumer Council for Northern Ireland it will at the same time inform the parties of that referral;
- (d) the Consumer Council for Northern Ireland has not been able to assist the parties in the resolution of the dispute within 3 months of the Authority's referral under paragraph (b) (the 'applicable timescale'), either party to the matter may refer the matter back to the Authority for determination;
- (e) a dispute referred to the Authority under paragraph (a):

- (i) is not referred by the Authority to the Consumer Council for Northern Ireland under paragraph (c); or
  - (ii) is referred by the Authority to the Consumer Council for Northern Ireland under paragraph (c) but is referred back to the Authority under paragraph (d),

the Authority may, having given both parties not less than one month in which to make any further representations, settle the terms of the agreement dispute in such manner as appears to the Authority to be reasonable having (insofar as is relevant) regard in particular to the following considerations:

- (iii) the efficient and safe operation of the Network by the Licensee;
    - (iv) the conveyance by the Network of:
      - (A) the quantities of gas which the Licensee requires or may reasonably be expected to require to be conveyed by the Network to enable the Licensee to comply with the conditions of the licence; and
      - (B) the quantities of gas of any person who has a right to have gas conveyed by the Network is entitled to require to be so conveyed in exercise of that right.
- (f) the person entitled or claiming to be entitled to conveyance services from the Licensee wishes to proceed on the basis of the terms the agreement as settled by the Authority, the Licensee shall forthwith enter into and implement such agreement in accordance with its terms.

#### 2.2.7 Additional duty to provide information

The Licensee shall advise the Authority by a report provided to the Authority of:

- (a) the number of separate arrangements with gas suppliers for gas conveyance services provided; and
- (b) the volumes of gas offtaken from the Network by gas suppliers including its own Separate Business, if any, engaged in the supply of gas.

#### 2.2.8 Direction by the Authority

- (a) Where the Authority determines that it is necessary for the Licensee to revise:
  - (i) the methods and principles on which it has determined the conveyance charges as provided in the Licensee's latest published statement; and/or
  - (ii) the conveyance charges and other terms for the conveyance of gas determined and included in the latest published statement,

in order to ensure that they are (or continue to be) proportionate and applied in a non-discriminatory manner, the Authority may direct the Licensee to revise its methods, principles, charges or terms (as the case may be) in accordance with the provisions of the direction.
- (b) The Licensee shall comply with the requirements of any direction issued by the Authority under this Condition 2.2.8 and shall publish a revised statement in accordance with Condition 2.2.3.



### **Condition 2.3: Connection Charges and Obligation to Connect**

#### **2.3.1 Statement of connection charges and terms for connection to the Network**

The Licensee shall, no later than three months after this Condition takes effect, prepare and submit to the Authority for approval as to form and content, a statement showing the methods by, and the principles on, which charges are to be determined by the Licensee, for connecting to, and disconnecting from, the Network:

- (a) subject to and in accordance with the requirements of Condition 2.3.13, any premises;
- (b) any non standard gas meter and any gas meter that is owned or not owned by the Licensee (or any affiliate or related undertaking of the Licensee) and is located in any premises;
- (c) any pipe-line system to or from which gas will be conveyed by means of the Network;  
and
- (d) any Storage Facility or LNG Facility,

and in each case the statement shall include:

- (i) the methods by, and principles on, which charges are to be determined by the Licensee for maintaining, repairing or modifying any connection between the Network and any premises or pipe-line system, Storage Facility or LNG Facility, including without limitation in the case of a connection between the Network and any premises, removing any gas fittings that are owned by the Licensee and comprised in the connection; and
- (ii) the Licensee's other terms for such a connection, and an explanation of those terms together with the Licensee's technical design and operational requirements which shall apply to the making of any particular, or particular type of, connection.

#### **2.3.2 Explanation of connection charging methodology for introducing gas to the Network**

The Licensee shall comply with any direction given by the Authority to submit a statement to the Authority for approval showing, so far as reasonably practicable, the methods by which

and the principles on which charges are to be made by the Licensee for making a connection for the purposes of introducing gas into the Network and, in the context of making such a connection, for:

- (a) modifying apparatus and works associated with a pipe-line so as to increase the capacity of a pipe-line; or
- (b) supplying and installing any pipe-line or works,

including where practicable an indication of likely costs and other terms for the making of such a connection.

### 2.3.3 Other requirements to be included in the statement

A statement submitted to the Authority by the Licensee under Condition 2.3.1 shall:

- (a) subject to Condition 2.3.12, clearly distinguish between cases and classes of cases of person for whom the Licensee proposes different methods by, or principles on which charges are to be determined for connection; and
- (b) in respect of any such case, or class of cases, show that element of connection costs the Licensee proposes to recover by way of conveyance charges to gas suppliers, including any Separate Business engaged in the supply of gas.

### 2.3.4 The statement to give likely indication of costs

A statement submitted to the Authority by the Licensee under Condition 2.3.1 shall:

- (a) where practicable, indicate for the Authority's information the costs likely to arise in respect of work done and materials used in connecting any premises, gas meter (including a non standard gas meter, or a gas meter owned or not owned by the Licensee), pipe-line system, Storage Facility or LNG facility;
- (b) include such information as will reasonably enable any person to estimate the Licensee's connection charges in connecting any premises, gas meter (including a non standard gas meter, or a gas meter owned or not owned by the Licensee), pipe-line system, Storage Facility or LNG facility; and

- (c) include such information as will reasonably enable any person requesting a connection to the Network to determine the works and/or other actions he would need to undertake, including, without limitation, any work or action required to comply with the Licensee's technical design and operational requirements, in order for the connection to be made.

#### 2.3.5 Authority's approval

The Authority shall, in approving the Licensee's basis for charging for connection as set out in the statement submitted to it by the Licensee under Condition 2.3.1, have regard to the need of the Licensee to be able to finance the carrying on of its activities and obtain a return equal to that which is, in the reasonable opinion of the Authority, appropriate.

#### 2.3.6 Publication of and compliance with statement

The Licensee shall:

- (a) put in place and comply with the statement, as approved by the Authority under Condition 2.3.5;
- (b) publish each approved statement in such manner as will secure adequate publicity for it; and
- (c) send a copy of any such statement to any person who requests one.

#### 2.3.7 Direction by the Authority

Where the Authority determines that it is necessary for the Licensee to revise:

- (a) the methods and principles on which it has determined the charges and other terms for connection in the latest published statement; and/or
- (b) the charges and other terms for connection it has determined and included in the latest published statement,
- (c) in order to ensure that they are (or continue to be) proportionate and applied in a non-discriminatory manner, the Authority may direct the Licensee to revise its

methods, principles, charges or terms (as the case may be) in accordance with the provisions of the direction.

#### 2.3.8 Revising connection charges

Without prejudice to Condition 2.3.7, the Licensee shall:

- (a) periodically, and on each occasion Condition 2.3 is modified, review its published statement for compliance with the Licensee's obligations under the Licence and propose, and submit to the Authority for approval, any changes necessary in light of the review;
- (b) not revise the basis of its charges for a connection of any premises, gas meter (including a non standard gas meter, or a gas meter owned or not owned by the Licensee), pipe-line system, Storage Facility or LGN Facility, or the other terms for connection, without first giving the Authority a revised statement in the same terms as Condition 2.3.1 and, where such revision is other than any increase in the Retail Prices Index, obtaining Authority's approval to such a revision.

#### 2.3.9 Compliance with a Direction

The Licensee shall comply with the requirements of any direction issued by the Authority under Condition 2.3.7 and shall publish any revised statement as soon as reasonably practical in accordance with Condition 2.3.6.

#### 2.3.10 Connection and Quotation Requests

The Licensee shall:

- (a) within 28 days of receiving a request from any person for a connection to the Network in respect of a gas meter (including a non standard gas meter or a gas meter owned or not owned by the Licensee), a pipe-line system, Storage Facility or LNG Facility, or to introduce gas into the Network, or for a quotation of connection charges likely to apply in respect of a connection to the Network, provide that person with a specific statement of the connection charges, and other terms of connection, applicable to the request;

- (b) within 10 days of receiving a request for a connection to the Network from any person requesting a connection in respect of any type of premises not included within paragraph (a) above:
  - (i) inform that person that the approval of the Authority is required to the making of the connection; and
  - (ii) submit a copy of the connection request to the Authority, together with such supporting information as the Authority may reasonably require for the purposes of its approval decision;
- (c) where following receipt of the information referred to in paragraph (b)(ii) above the Authority gives its approval to the making of the connection, within 28 days of receiving the Authority's approval provide the person requesting the connection with a specific statement of the connection charges, and other terms of connection, applicable to the request.

#### 2.3.11 Treatment of Request for Connection and Quotation

For the purposes of Conditions 2.3.10(a) and (b) and the Licensee's obligation to provide a specific statement of connection charges, a request for a connection to the Network and quotation of the applicable connection charges shall be treated as such if it is in such form that it can be reasonably expected of the Licensee to provide a specific statement of connection charges in response to it.

#### 2.3.12 Prohibition on undue discrimination

The Licensee shall not show any undue preference towards or undue discrimination against any person or cases or classes of cases of person (including any other business of the Licensee):

- (a) seeking, and entitled pursuant to the provisions of Condition 2.3.14, a connection to be made between their premises and the Network;
- (b) seeking a connection to be made between a non standard gas meter, or a gas meter owned or not owned by the Licensee (or any affiliate or related undertaking of the Licensee), and the Network;

- (c) that own or operate (or proposes to own or operate) a pipe-line system, a Storage Facility or an LNG Facility and seek a connection of that system or facility to the Network;
- (d) seeking a connection for the purposes of introducing gas to the Network.

#### 2.3.13 Connection of Premises – Requirement for Authority Approval

The Licensee shall not make or agree to make a connection between any premises (other than any premises which may constitute a Storage Facility or LNG Facility) and the Network without the prior written approval of the Authority to the making of that connection.

#### 2.3.14 Requests for Connection – Obligation to Connect

Where:

- (a) the Authority gives approval to the making of a connection between a premises and the Network (the '**relevant premises**'); and
- (b) the person seeking the connection is willing to pay the Licensee's charges for connection and comply with the Licensee's other terms for connection, including in relation to compliance with any technical and safety criteria contained in the Network Code and the Licensee's technical design and operational requirements (the '**relevant terms**'),

the Licensee shall make the connection between the relevant premises and the Network in accordance with the applicable legislation and relevant terms or permit the connection to be made (as the case may be).

#### 2.3.15 Connection of other systems and facilities – Obligation to Connect

Where the person seeking a connection to the Network of any gas meter (including a non standard gas meter, or a gas meter owned or not owned by the Licensee), pipe-line system, Storage Facility or LNG Facility or seeking a connection for the purposes of introducing gas to the Network, is willing to pay the Licensee's charges for connection and comply with the Licensee's other terms for connection, including in relation to compliance with any technical and safety criteria contained in the Network Code and the Licensee's technical design and operational requirements (the '**relevant terms**'), the Licensee shall make the

connection requested in accordance with the applicable legislation and relevant terms or permit the connection to be made (as the case may be).

#### 2.3.16 No obligation to connect premises

Nothing in Condition 2.3.14 and Condition 2.3.15 shall require the Licensee to make or maintain the connection:

- (a) if the making or maintaining of the connection involves danger to the public and / or a risk to the safety of the Network, provided that the Licensee has taken all such reasonable steps to prevent such danger from occurring;
- (b) if there is insufficient capacity in the Network;
- (c) if the Licensee has reasonable grounds to believe the making of the connection would be in conflict with:
  - (i) the relevant objectives set out in Condition 2.4.1;
  - (ii) any public service obligation (where applicable); or
- (d) if there are any serious economic difficulties with take or pay contracts;

and in any such case the Licensee shall give duly substantiated reasons for believing such circumstances apply.

#### 2.3.17 Resolution of disputes by the Authority

Where:

- (a) there is a dispute between the Licensee and any person entitled or claiming to be entitled to a connection to the Network in respect of the terms of an agreement for the connection to be made ('connection agreement'), any party to the dispute may make an application to the Authority for determination of the terms of the connection agreement.
- (b) the Authority receives an application pursuant to sub-paragraph (a) and the dispute:
  - (i) has not previously been referred by either party to the Consumer Council for Northern Ireland for investigation; or

- (ii) has previously been referred by one of the parties to the Consumer Council for Northern Ireland but the Consumer Council for Northern Ireland has advised the Authority that it has not concluded its investigation of the dispute,

the Authority may refer the dispute to the Consumer Council for Northern Ireland for the purposes of enabling the Consumer Council for Northern Ireland to assist the parties in the resolution of the dispute;

- (c) the Authority refers the dispute to the Consumer Council for Northern Ireland under paragraph (b) it will at the same time inform the parties of that referral;
- (d) the Consumer Council for Northern Ireland has not been able to assist the parties in the resolution of the dispute within 3 months of the Authority's referral under paragraph (b) (the 'applicable timescale'), either party to the dispute may refer the matter back to the Authority for determination;
- (e) a dispute referred to the Authority under paragraph (a):
  - (i) is not referred by the Authority to the Consumer Council for Northern Ireland under paragraph (c); or
  - (ii) is referred by the Authority to the Consumer Council for Northern Ireland under paragraph (c) but is referred back to the Authority under paragraph (d),

the Authority may, having given both parties not less than one month in which to make any further representations, settle the terms of the connection agreement in such manner as appears to the Authority to be reasonable having regard (insofar as is relevant and appropriate) to the obligations that would otherwise have applied to the Licensee under this Condition 2.3; and

- (f) the person entitled or claiming to be entitled to a connection to the Network wishes to proceed on the basis of the terms the connection agreement as settled by the Authority, the Licensee shall forthwith enter into and implement such agreement in accordance with its terms.

#### 2.3.18 Interpretation and construction

References in this Condition 2.3 to:



- (a) "**charges**" shall include references to means whereby such charges may be ascertained.
- (b) "**premises**" includes any land, building or structure.

**Condition 2.4: Not Used**

## **Condition 2.4A: Compliance with System Operator Agreements**

### **2.4A.1 Agreements for interoperability of systems**

Where the licensee is under and in accordance with Article 8H of the Order designated as a transmission system operator or is designated as a distribution system operator (as the case may be), it shall use all reasonable endeavours to enter into an agreement with:

- (a) any other person holding a licence granted under Article 8(1)(a) of the Order;
- (b) any person holding a licence granted under Article 8(1)(b) of the Order; and
- (c) any person holding a licence granted under Article 8(1)(d) of the Order,

which agreement:

- (d) relates to the interaction or interoperability of the Licensee's Network with that person's gas transmission system, gas distribution system, gas storage facility or LNG facility (as the case may be); and
- (e) ensures that the conveyance of gas between the Licensee's Network and that other system or facility is undertaken in a manner which is compatible with the secure and efficient operation of the Licensee's Network and that other system or facility.

### **2.4A.2 Minimum Requirements – Technical Rules**

Each agreement entered into by the Licensee in accordance with Condition 2.4A.1 shall set out (either directly or by reference to a separate document) the Licensee's technical design and operational requirements as applicable to the connection, interaction and interoperability between the Licensee's Network and the other system or facility, which requirements shall be objective and shall not show any undue discrimination between persons or classes of person.

### **2.4A.3 Approval by the Authority**

The Licensee shall not require any person to enter any agreement of the type referred to in Condition 2.4A.1 unless the agreement, and where applicable any amendment to the agreement, has first been submitted to and approved by the Authority.

#### 2.4A.4 Obligation to enter into agreements

Where the Licensee is required, either by a designated transmission system operator or by a designated distribution system operator (and in accordance with that person's licence), to enter into an agreement of the type mentioned in Condition 2.4A.1, the Licensee shall enter into any such agreement as may be reasonably required by that designated transmission system operator or distribution system operator (as the case may be).

#### 2.4A.5 Network operator agreement

Without prejudice to Condition 2.4A.3, where the Licensee is a designated transmission system operator it shall enter into and comply with the Single System Operator Agreement (being the document of that name specified as such from time to time by the Authority).

#### **Condition 2.4B: Compliance with European Requirements**

2.4B.1 The Licensee shall enter into such agreement as may reasonably be required by a Gas Transporter for the purposes of:

- (a) facilitating the Licensee's or the Gas Transporter's compliance with a European Network Code; or
- (b) giving full and timely effect to any relevant legally binding decision of the Agency or the European Commission which relates to the activities of the Licensee or the Gas Transporter.

2.4B.2 Where the Licensee is a party to an agreement:

- (a) entered into pursuant to paragraph 2.4B.1; or
- (b) which relates to activities that fall within the scope of a European Network Code (or to activities connected to such activities),

the Licensee shall take such steps and do such things as are within its power to amend any such agreement as may be necessary from time to time to:

- (c) comply with the European Network Code;
- (d) give full and timely effect to any relevant legally binding decision of the Agency or the European Commission.

2.4B.3 The Licensee shall not enter into an agreement, or amend or agree to amend an agreement, to which it is party pursuant to the requirements of paragraph 2.4B.1 or 2.4B.2 unless:

- (a) the agreement or proposed amendment (as the case may be) has first been submitted to the Authority by the Licensee; and
- (b) the Authority has given its approval to the agreement or proposed amendment (as the case may be).

2.4B.4 The Licensee shall comply with any direction issued to it by the Authority requiring it to enter into an agreement, or to amend or agree to amend an agreement to which it is a party, for the purposes of:

- (a) facilitating compliance with a European Network Code;
- (b) giving full and timely effect to any relevant legally binding decision of the Agency or the European Commission relating to the conveyance of gas through pipe-lines or activities connected with the conveyance of gas through pipe-lines.

2.4B.5 In this Condition:

<b>Agency</b>	means the Agency for the Cooperation of Energy Regulators established by Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009.
<b>European Network Code</b>	means a network code adopted by the European Commission pursuant to or in accordance with Article 6 of Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks.
<b>Gas Transporter</b>	means any person holding a high pressure licence granted (or treated as granted) under: <ul style="list-style-type: none"> <li>(a) Article 8(1)(a) of the Order and which is also a high pressure pipeline under Article 36(8) of the Order,</li> <li>(b) section 7 of the Gas Act 1986;</li> <li>(c) section 7ZA of the Gas Act 1986; or</li> <li>(d) section 16(1)(b) of the Gas (Interim)(Regulation) Act 2002.</li> </ul>

### **Condition 2.4C: Gas Transportation Agreement**

2.4C.1 This Condition applies where the Licensee is a party to the Gas Transportation Agreement.

2.4C.2 Where this Condition applies the Licensee shall take such steps and do such things as are within its power to:

- (a) review, from time to time and in conjunction with any other person that is a party to the Gas Transportation Agreement, the Gas Transportation Agreement with a view to determining, taking into account the operation of the Gas Transportation Agreement and the Licensee's obligations under this Licence, whether any amendment should be made to it;
- (b) amend the Gas Transportation Agreement as may from time to time be required to:
  - (i) reflect the outcome of a review conducted pursuant to paragraph 2.4C.2 (a); or
  - (ii) comply with a direction issued by the Authority pursuant to this Condition 2.4C; and
- (c) ensure that it does not amend, or agree to amend, the Gas Transportation Agreement unless:
  - (i) the proposed amendment has first been submitted to the Authority by the Licensee; and
  - (ii) the Authority has given its approval to the proposed amendment.

2.4C.2 In this Condition:

<b>Gas Transportation Agreement</b>	means: <ul style="list-style-type: none"><li>(a) the Transportation Agreement originally made on 21 August 1996 between BGE (UK) Limited and Premier Transco Limited, as amended or supplemented by any other agreements from time to time; and/or</li></ul>
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	<p>(b) any agreement which, whether in consequence of the expiry or termination of the agreement referred to in paragraph (a) or otherwise, is or is proposed to:</p> <p>any agreement which, whether in consequence of the expiry or termination of the agreement referred to in paragraph (a) or otherwise, is or is proposed to:</p> <ul style="list-style-type: none"> <li>(i) be entered into between all of the parties to the agreement referred to in paragraph (a); and</li> <li>(ii) include provisions which concern or relate to the same subject matter as the provisions in the agreement referred to in paragraph (a).</li> </ul>
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## **Condition 2.4D: Single Network Code**

### **Licensee's Obligations**

2.4D.1 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, by 1 October 2017 or by such later date as may be directed by the Authority, take all reasonable steps to:

- (a) prepare, provide to the Authority for its approval, and at all times have in force a Single Network Code, being a document which:
  - (i) sets out the terms and arrangements established by the Licensee and every other HP Conveyance Licensee for the conveyance of gas, being arrangements other than those to which Conditions 2.2 and 2.3 relate, in respect of the Networks of the HP Conveyance Licensees;
  - (ii) is designed to facilitate achievement of the “relevant objectives” set out in paragraph 2.4D.2;
  - (iii) provides for the matters set out in paragraph 2.4D.3;
  - (iv) provides for mechanisms for the resolution of any disputes arising in relation to any of the provisions of the Single Network Code; and
- (b) put in place appropriate contractual arrangements, approved by the Authority, which require compliance with the Single Network Code by the Licensee, every other HP Conveyance Licensee, the Users, and any third parties who may become parties to the Single Network Code.

### **Objectives**

2.4D.2 The “relevant objectives” of the Single Network Code referred to in paragraph 2.4D.1(a)(ii) are:

- (a) the secure, safe, reliable, efficient and economic development and operation and maintenance of the Network, with due regard to the environment; and
- (b) subject thereto:
  - (i) the efficient discharge of and compliance with the obligations imposed on the Licensee and each HP Conveyance Licensee by their respective gas conveyance licensees; and
  - (ii) subject to sub-paragraph (b)(i), the promotion of effective competition between Users.

### **Relevant Matters**

2.4D.3 The Single Network Code shall provide for such matters as may be specified by the Authority and which include:

- (a) measures for the balancing of the HP System;
- (b) the methodology used to procure the gas required for the balancing of the HP System;
- (c) the methodology by which the charges are to be levied on Users for the balancing of the HP System;
- (d) the technical safety criteria applicable to the operation of the HP System.

#### Other Arrangements for the Conveyance of Gas

2.4D.4 Subject to the provisions of Conditions 2.2 and 2.3, the Licensee shall not, except in so far as the Authority consents to the Licensee doing so, put in place or require any person to accept or enter into terms for the conveyance of gas except in accordance with the Single Network Code.

#### Referring Matters to the Authority

2.4D.5 Where a term of the Single Network Code or of the modification rules referred to in Condition 2.4D.6 is framed so that its proper implementation is to be determined with regard to whether it facilitates the achievement of the relevant objectives, either the Licensee or any other party to the Single Network Code who has entered into arrangements to which that term applies, may, to the extent that the term so provides, refer to the Authority for determination any question as to whether a manner in which the Licensee proposes to implement the term would secure that objective.

#### Code Modification Procedures

2.4D.6 The Licensee shall, acting in conjunction and co-operation with every other HP Gas Conveyance Licensee, take all reasonable steps to establish and implement procedures for the modification of the Single Network Code, subject to the provisions of this Condition, so as to better facilitate the achievement of the relevant objectives and which will enable:

- (a) the Single Network Code to be reviewed;
- (b) modifications to be proposed by the Authority, the Licensee, any HP Conveyance Licensee or any other party to the Single Network Code;
- (c) adequate publicity to be given to any proposal by:
  - (i) drawing it to the attention of other parties to the Single Network Code;
  - (ii) sending a copy of it to anyone who asks for one; and
  - (iii) making it otherwise available in an appropriate manner where it is necessary for

establishing whether the proposal would better facilitate the achievement of the relevant objective;

- (d) the preliminary views of the Authority to be sought in relation to any matter arising on a proposal to modify the Single Network Code; and
- (e) the representations or objections, with respect to any proposal to modify the Single Network Code, made (and not withdrawn) by any other party to the Single Network Code and by other persons who are likely to be materially affected by the proposal to be properly considered.

#### Modification Rules

2.4D.7 Subject to Standard Condition 2A, the Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to:

- (a) prepare "the modification rules", that is to say a document setting out the terms of the procedures established under Condition 2.4D.6, and shall furnish the Authority with a copy of the modification rules for approval by no later than 6 weeks prior to 1<sup>st</sup> October 2017.
- (b) ensure that no amendment is made to the modification rules except:
  - (i) after consulting the other parties to the Single Network Code;
  - (ii) after furnishing the Authority with a report on such consultation and consideration; and
  - (iii) with the consent of the Authority;
- (c) furnish the Authority with a copy of any modification so made.

#### Prohibition on irregular modifications

2.4D.8 Subject to Standard Condition 2A, the Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, shall not modify the Single Network Code except:

- (a) to comply with Condition 2.4D.9(c); or
- (b) otherwise, with the consent of the Authority,

and shall furnish the Authority with a copy of any modification made.

#### Role of Authority in modifications

2.4D.9 Subject to Standard Condition 2A, where a proposal is made pursuant to the modification rules to modify the Single Network Code, the Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee:

- (a) refer for determination by the Authority any question whether the representations or objections by any other party to the Single Network Code or by any other person in respect of the proposal have been properly considered in accordance with those rules;
- (b) as soon as reasonably practicable, give notice to the Authority:
  - (i) giving particulars of the proposal;
  - (ii) where the proposal is made by any other party to the Single Network Code, giving particulars of any alternative proposal by the Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, to modify the Single Network Code in respect of the same matter;
  - (iii) giving particulars of any representations or objections made by a party to the Single Network Code or by any other person in respect of those proposals;
  - (iv) stating whether in its view any proposed modification should or should not be made;
  - (v) stating the factors which it believes justify making or not making the proposed modification; and
  - (vi) giving such further information as may be prescribed by the modification rules;
- (c) comply with any direction given by the Authority to the Licensee and to all other HP Conveyance Licensees to make a modification to the Single Network Code in accordance with a proposal described in a notice given to the Authority under sub-paragraph (b) which, in the opinion of the Authority will, as compared to the existing provisions of the Single Network Code or any alternative proposal, better facilitate the achievement of the relevant objective.

#### Publication of the Single Network Code

2.4D.10 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to:

- (a) publish the Single Network Code and the modification rules (as modified from time to time) in such form and manner as the Authority may from time to time direct; and
- (b) send a copy of the Single Network Code and modification rules (as modified from time to time) to any person who asks for one on payment of a charge in respect of the cost

incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct.

#### Authority to determine material effect on persons of transportation arrangements

2.4D.11 Except in so far as the Authority otherwise consents, the Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, refer for determination by the Authority any question as to whether a person is likely to be materially affected by a proposal to modify the Single Network Code.

#### Reasons for refusal of access

2.4D.12 The Single Network Code prepared in accordance with this Condition shall require the Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, to give duly substantiated reasons for any refusal of access to any pipeline forming part of the Network.

#### Prohibition on undue discrimination

2.4D.13 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, ensure that it does not show an undue preference for or undue discrimination against any person or class or classes of person:

- (a) in assessing, in conjunction and co-operation with any every other HP Conveyance Licensee, a person's application to become a party to the Single Network Code; and/or
- (b) in its interpretation of the Single Network Code and the application of procedures contained in the Single Network Code.

#### Definitions

2.4D.14 In this Condition:

<b>HP Conveyance Licensee</b>	has the same meaning given to it in Condition 2.17 (Single System Operation of the High Pressure Gas System)
<b>User</b>	means, as the context requires, any gas supplier or any person acting on behalf of a gas supplier, who has made, or seeks to make, arrangements with the Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, in pursuance of which gas is, or is to be, conveyed through the HP System and/or any gas conveyance transmission system forming part of the HP System.

## **Condition 2.5: Provision and Return of Meters**

### **2.5.1 Installation of Gas Suppliers' Meter**

The Licensee shall comply with any reasonable request by any gas supplier wishing to supply gas to premises directly connected to the Network to provide and install at those premises a gas meter belonging to the Licensee of an appropriate type, specified by the gas supplier, if a meter of that type is readily available to the Licensee and the gas supplier agrees to pay the Licensee's charges in respect of that meter, such charges to have been determined using such principles and methodology as shall have been agreed with the Authority.

2.5.2 The Licensee shall comply with any reasonable request by any gas supplier wishing to supply gas to premises to install at those premises a gas meter of an appropriate type belonging to the gas supplier (or the owner or occupier of the premises) if the gas supplier agrees to pay the Licensee's charges in respect of the installation of the meter and any subsequent disconnection.

### **2.5.3 Prohibition on undue discrimination**

The Licensee shall not show any undue preference towards or undue discrimination against any gas supplier seeking the provision and/or installation of a gas meter under this Condition 2.5.

### **2.5.4 Disconnection of Meters**

Subject to Condition 2.5.5, where any gas meter owned by the Licensee is disconnected by or returned to the Licensee, it shall promptly make an appropriate record of the details displayed on the register of the meter at the time of disconnection or return and of such other information in its possession as shall subsequently enable the identity and time of disconnection or return of the meter and the premises from which it was disconnected to be ascertained and shall keep such a record for a period of not less than two years from the date of the later of such disconnection or return whichever is the later.

### **2.5.5 Safe Custody of Meters**

Where the Licensee has reasonable cause to believe that any gas meter owned by it and disconnected by or returned to it is the subject of:

- (a) any investigation in relation to proceedings or possible proceedings relating to the alleged theft of gas by any person; or
- (b) a dispute as to the accuracy of the meter;

the Licensee shall use all reasonable endeavours to keep the meter in safe custody in the condition in which it was disconnected or returned and with the register unaltered:

- (i) during the period of six months beginning with the date on which the meter was disconnected or returned, for so long as the Licensee continues to have reasonable cause to believe that the meter is or may be so relevant; and
- (ii) thereafter for as long as, to the Licensee's knowledge, the meter is so relevant.

#### 2.5.6 Provision of Information

Where the Licensee is notified, pursuant to any regulations made under Article 22 of the Order, of the connection or disconnection of any meter at any premises it shall promptly give to the gas suppliers in respect of those premises the information so notified and furnish any further information as such gas suppliers may reasonably request relating to the meter and which the Licensee either has or may readily obtain.

## **Condition 2.6: Conduct of Transportation Business**

### **2.6.1 Conduct of business activities**

The Licensee shall conduct its business activities relating to the conveyance of gas in the manner best calculated to secure that neither:

- (a) the Licensee or any affiliate or related undertaking of it or any company of which the Licensee is an affiliate or related undertaking; nor
- (b) any other licence holder or exemption holder;

obtains any unfair commercial advantage in any business in the storage or supply of gas including, in particular, any such advantage from a preferential or discriminatory arrangement.

### **2.6.2 Disclosure of information**

The Licensee shall:

- (a) use its best endeavours to secure that any information relating to or derived from its Licensed Business is not disclosed for the benefit, or used for the purposes, of:
  - (i) any trading business, affiliate or (so far as the Licensee can require it) related undertaking of the Licensee;
  - (ii) any company of which the Licensee is an affiliate or related undertaking; and
- (b) subject to paragraph (a) above, not show any undue discrimination against, or undue preference towards, any person or class of person, in disclosing any information relating to its Licensed Business which may be commercially advantageous to any other person.

### **2.6.3 Exempt information**

Condition 2.6.2 shall not extend to:

- (a) information specified in any consent to non-compliance with that Condition given by the Authority to the Licensee; or



- (b) information relating to a particular licence or exemption holder which that party has consented in writing to being used or disclosed in accordance with the terms of that consent; or
- (c) information which it is necessary for the trading business to use or disclose in order to enter into and comply with arrangements for the conveyance of gas; or
- (d) information which is in the public domain (other than as a result of contravention by the Licensee of any Condition of the Licence) or
- (e) information which is required to be disclosed pursuant to a Condition of the Licence.

#### 2.6.4 Additional definition

In this Condition "trading business" means activities connected with the acquisition and disposal of gas in Northern Ireland other than for the efficient operation of the Network operated by the Licensee or for replacing gas lost from the Network.

## **Condition 2.6A Provision of information to a relevant gas licence holder**

### **2.6A.1 Obligation to provide information**

The Licensee shall furnish to any relevant gas licence holder such information concerning the operation and technical specifications of the Network in such manner and at such times as may:

- (a) reasonably be required by that relevant gas licence holder to enable it to comply with its obligations under its own gas conveyance or gas storage licence or under any document established pursuant to a gas licence; or
- (b) be specified in directions issued from time to time by the Authority to the Licensee for the purpose of this Condition 2.6A.1, having taken into consideration any representations made to the Authority by the Licensee and any relevant gas licence holder, and in accordance with any conditions contained in such directions.

### **2.6A.2 Ability to refuse**

The Licensee shall be entitled to refuse to provide information under Condition 2.6A.1 on the grounds that its disclosure would seriously and prejudicially affect the commercial interests of the Licensee unless and until the Authority, by notice in writing given to the Licensee, directs it to provide that information on the ground that provision thereof is necessary or expedient for the purpose mentioned in Condition 2.6A.1.

### **2.6A.3 Excluded information**

This Condition 2.6A shall not require the Licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before the High Court.

### **2.6A.4 Arrangements for protecting confidentiality**

The Licensee shall not be obliged under Condition 2.6A.1(a) to provide information to any relevant gas licence holder which has not established, whether in pursuance of a licence condition or otherwise, effective arrangements designed to secure that information provided in pursuance of this condition (and similar licence conditions) is not communicated, directly or indirectly, to any gas supplier or any person acting on

behalf of a gas supplier who has made or seeks to make arrangements with that licensee in pursuance of which gas is conveyed through that licensee's network.

#### 2.6A.5 Definitions and interpretation

In this Condition 2.6A, unless the context otherwise requires:

- (a) "relevant gas licence holder" means any holder of a licence granted pursuant to Article 8(1)(a) or 8(1)(b) of the Order and/or any holder of a licence to convey (whether by transmission pipe-lines or distribution pipe-lines) or store gas granted under the relevant legislation of a jurisdiction other than Northern Ireland; and
- (b) references to "licence" and "gas supplier" shall not be limited to licences granted under, or gas suppliers operating pursuant to licences or exemptions granted under, the Order.

## **Condition 2.7: Emergency Services and Obligations**

### **2.7.1 Emergency telephone service**

The Licensee shall, in co-ordination with all other relevant persons:

- (a) establish, or procure the establishment of, and subsequently operate and maintain, or procure the subsequent operation and maintenance of, a single continuously attended telephone service (including reasonable facilities to communicate with deaf or partially hearing persons):
  - (i) for the receipt of reports of escapes of gas in respect of which the Licensee or such other relevant persons may have obligations under Article 60 of the Order or under any regulations made by the Department under Schedule 5 paragraph 2 of the Order; and
  - (ii) for the Licensee to be informed of any escapes of gas in respect of which it may have such obligations; and
- (b) secure adequate publicity for the service and its telephone number, having regard, in particular, to the special needs of blind or partially sighted persons.

### **2.7.2 Prevention of gas escapes**

Where any gas escapes from the Network the Licensee shall, as soon as reasonably practicable of being informed of the escape, attend the place where gas is escaping and the Licensee shall take all necessary steps to prevent an escape of gas from any part of the Network or otherwise in any premises within 12 hours of receiving a report of such an escape (or earlier if becoming aware of the same); and subject to Condition 2.7.3, the Licensee shall make arrangements whereby, in preventing an escape of gas in any premises to which it conveys gas:

- (a) the prevention is effected, so far as it is reasonably practicable and safe to do so:
  - (i) by carrying out any appropriate minor appliance repairs; and
  - (ii) by a person adequately trained in recognising the signs of leakage of carbon monoxide and instructed to report any such signs to the owner or occupier of the premises; and

- (b) if further repair work is required, information is given to the owner or occupier of the premises or, in their absence, left at the premises as to persons in the locality who are permitted pursuant to regulations under the Health and Safety at Work (Northern Ireland) Order 1978 to perform repairs on gas fittings.

#### 2.7.3 Carrying out of work

Nothing in Condition 2.7.2 shall oblige the Licensee to carry out any work which cannot be completed within 30 minutes of entering the premises for the purpose of preventing the escape or would use materials costing more than £4.00 adjusted annually in line with the retail price index from September 1996.

#### 2.7.4 Application of Condition 2.7.5

Condition 2.7.5 shall apply in relation to:

- (a) non-domestic consumers who are supplied with gas on terms on which the supply of gas may only be interrupted or reduced in pursuance of such a term of that consumer's contract for the supply of gas or in pursuance of directions given under section 2(1)(b) of the Energy Act 1976; and
- (b) the premises of such non-domestic consumers.

#### 2.7.5 Priority for maintenance of supply

Where the Licensee considers that, for reasons of safety (unrelated to particular premises or a particular locality), the supply of gas to any non-domestic consumer to whom this Condition applies or the conveyance of gas to their premises needs to be interrupted, reduced or restricted, it shall, so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety:

- (a) when telling a non-domestic consumer that he should use his best endeavours to refrain from using gas, in pursuance of such a term of that consumer's contract for the supply of gas; or
- (b) when interrupting or restricting the conveyance of gas;

give priority to the maintenance of the supply of gas to consumers on the priority list required by Condition 2.7.7 and the conveyance of gas to their premises.

#### 2.7.6 Consultation with the Department

Where the reasons of safety referred to in Condition 2.7.5 relate to the whole or a substantial part of Northern Ireland or there is a significant shortage of gas affecting the whole or a substantial part of Northern Ireland, the Licensee shall consult with the Department on the taking of any such steps as are mentioned in Condition 2.7.5 (a) or (b) and, so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety, shall do so before taking any such steps.

#### 2.7.7 Priority List

The Licensee shall:

- (a) unless it has done so before being licensed, establish a list of non-domestic consumers who should be given priority as respects the maintenance of a supply of gas and the maintenance of the conveyance of gas to their premises; and
- (b) review, and so far as appears appropriate, amend the list from time to time, after consultation with relevant gas suppliers, and, without prejudice as aforesaid, shall conduct such a review and make any such amendments on being directed so to do by the Department;

and, if the Department has designated criteria to be taken into account when such a list is established or revised, the Licensee shall so take account of those criteria.

#### 2.7.8 Determination by the Department

Any question arising under this Condition as to whether a particular non-domestic consumer satisfies the designated criteria shall be determined by the Department.

#### 2.7.9 Definition

In this Condition 2.7

“relevant persons”	means all persons that undertake in Northern Ireland the activities specified in Article 6(1)(a) of the Order.
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## **Condition 2.8: Cross Border Capacity**

### **Interconnected Networks**

2.8.1. This Condition applies where any part of the Licensee's Network is connected to a transmission pipe-line that is not wholly or mainly located in the United Kingdom (the **Other Network**).

### **Integration and Capacity Demand**

2.8.2. Where this Condition applies, the Licensee shall, in developing, operating and maintaining the Licensee's Network, ensure that it has sufficient capacity to:

- (a) optimise integration between the Licensee's Network and the Other Network; and
- (b) accommodate all economically reasonable and technically feasible demands for cross-border capacity,

taking into account (in each case) security of gas supply.

## **Condition 2.8A: Regional Co-operation**

### **Application**

2.8A.1. This Condition shall apply where:

- (a) any affiliate or related undertaking of the Licensee is carrying on the activities of an Associated Business; and
- (b) the Licensee has, in conjunction with any Other Transmission System Operator, established an undertaking (the Joint Undertaking) for the purposes of engaging in Regional Cooperation.

### **Compliance Programme**

2.8A.2. Where this Condition applies the Licensee shall:

- (a) use its reasonable endeavours to ensure that the Joint Undertaking prepares and submits to the Agency for its approval a compliance programme; and
- (b) appoint a senior officer to act as compliance officer for the purpose of monitoring the Joint Undertaking's compliance with the compliance programme.

### **Non-Discrimination**

2.8A.3. The compliance programme shall set out the measures the Joint Undertaking intends to take to ensure that it does not, in carrying on its activities :

- (a) unduly discriminate as between any persons or class or classes of persons; or
- (b) restrict, prevent or distort competition in the conveyance, storage, or supply of gas.

### **Definitions**

2.8A.4. In this Condition:

“Agency”	means the Agency for the Cooperation of Energy Regulators as established under Regulation (EC) 713/2009 of the European Parliament and of the Council.
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“Associated Business”	means any business of any affiliate or related undertaking of the Licensee which is carrying out activities consisting of the production, conveyance, storage or supply of gas in any member state of the European Union;
“Other Transmission System Operator”	means any person responsible for operating, maintaining and/or developing a gas transmission system in another member state of the European Union; and
“Regional Cooperation”	means the cooperation of transmission system operators at a regional level, in respect of such geographical areas as are defined in accordance with Article 12(3) of Regulation (EC) No. 713/2009 or as otherwise agreed between relevant transmission system operators, in respect of cross-border issues for the purpose of creating a competitive internal market, fostering consistency and facilitating integration.

## **Condition 2.9: Maintenance of Records**

### **2.9.1 Recorded information**

The Licensee shall hold in an appropriate form recorded information, insofar as the Licensee is reasonably able to acquire it, as to:

- (a) every premises and pipe-line system to which gas has been conveyed by means of the Network during the relevant period;
- (b) every third party who has arranged with the Licensee for gas to be conveyed by means of the Network at any place referred to in Condition 2.9.1(a) during the relevant period;
- (c) insofar as the Licensee has been furnished with the information, in respect of each premises referred to in Condition 2.9.1(a) every gas supplier who has supplied during the relevant period gas which has been conveyed to those premises by means of the Network;
- (d) insofar as the Licensee has been furnished with the information, the ownership of every meter first installed after the outlet of the final control valve of the service pipe at any premises referred to in Condition 2.9.1(a) for ascertaining the quantity of gas conveyed to the premises by means of that system during the relevant period;
- (e) any information contained in a notice given to the Licensee under any regulations made by the Authority under Article 22 of the Order during the relevant period; and
- (f) any information which has been provided to the Licensee by any other licence or exemption holder whether directly or indirectly pursuant to the conditions of his licence or exemption.

### **2.9.2 Additional definition**

In this Condition, the “relevant period” means the preceding five years or such shorter period to which the Authority may consent in respect of any of the above requirements.

**Condition 2.10: Powers of Licensee under Article 13 of the Order**

2.10.1 The provisions of:

(a) Schedule 2; and

(b) Schedule 3;

of the Order shall apply to the Licensee.

## **Condition 2.11: Competition and Effective Functioning of the Market**

### **Publication of Information**

2.11.1. The Licensee shall, in so far as it is consistent with its compliance with, and the efficient discharge of, its obligations under the Licence, publish such information as is held, available or known to it that will facilitate:

- (a) effective competition between persons engaged in Northern Ireland in, or in commercial activities connected with, the conveyance, storage, and supply of gas; and
- (b) the effective functioning of the gas industry in Northern Ireland.

### **Duty not to restrict, distort or prevent competition**

2.11.2. In carrying on the Licensed Business and in complying with its obligations under the Order, the Energy Order, the Gas Regulation and the Licence, the Licensee shall not restrict, distort or prevent competition in the conveyance, storage, and supply of gas.

### **Definitions**

2.11.3. In this Condition:

Gas Regulation	means Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks.
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## **Condition 2.12: Independence of the Licensee**

### **2.12.1 Independence**

The Licensee shall:

- (a) unless it has already done so prior to this Condition coming into force, establish;  
and
- (b) at all times thereafter maintain,

the full legal, managerial and operational independence of the Authorised Business from any Energy Business.

### **2.12.2 Means of achieving such independence**

In order to facilitate its compliance with Condition 2.12.1, the Licensee shall ensure that:

- (a) the Authorised Business is provided with such premises, systems, equipment, facilities, property, personnel, data and management resources as are necessary for its efficient and effective legal, managerial and operational independence;
- (b) it meets the ownership unbundling requirement referred to in Article 8G of the Order by virtue of satisfying, at all times, each of the five tests set out in Articles 8G(2), 8G(4), 8G(6), 8G(12) and 8G(13) of the Order;
- (c) subject to any financial supervisory rights of a Holding Company of the Licensee as provided for in the Licensee's financial plan, commercial and operational decisions relating to the operation, maintenance and development of the Licensee's Network are taken only by those persons who are employed by, and are engaged in the operation and management of, the Authorised Business;
- (d) any Energy Business may not use or have access to:
  - (i) premises or parts of premises occupied by persons engaged in the management or operation of the Authorised Business;

- (ii) systems for the recording, processing or storage of data to which persons engaged in the management or operation of the Authorised Business also have access;
  - (iii) commercially sensitive or confidential information relating to, or derived from, the Authorised Business;
  - (iv) equipment, facilities or property employed for the management or operation of the Authorised Business; or
  - (v) the services of any persons who are (whether or not as their principal occupation) engaged in the management or operation of the Authorised Business;
- (e) where, in order to comply with this Condition any Energy Business ceases to be an affiliate or related undertaking of the Licensee, the employment of any employee of the Licensee is not transferred to that Energy Business by virtue of the arrangements under which the Energy Business ceases to be an affiliate or related undertaking of the Licensee; and
- (f) in so as far as it is legally possible for it to do so, it prevents any person who has ceased to be employed by, or engaged in the activities of, the Authorised Business from being employed by, or engaged in the activities of, any Related Energy Business until the expiry of an appropriate time from the date on which ceased to be engaged or employed by the Authorised Business.

### 2.12.3 Undertaking

The Licensee shall procure from the person that is the Ultimate Holding Company of the Licensee a legally enforceable undertaking in favour of the Licensee in a form specified by the Authority, that the Ultimate Holding Company will refrain from any action, and will procure that every subsidiary of the Ultimate Holding Company (other than the Licensee and its subsidiaries) will refrain from any action, which would be likely to cause the Licensee to be in contravention of this Condition. Such undertaking shall be obtained within 7 days after the date when this paragraph first become effective, or after the person in question becomes an Ultimate Holding Company (as the case may

be) and shall remain in force for as long as the Licensee remains the holder of this Licence and the giver of the undertaking remains an Ultimate Holding Company of the Licensee.

#### 2.12.4 Additional Definitions

In this Condition:

**“Authorised Business”**

means the Licensed Business, taken together with (if applicable) where the Licensee has so notified the Department and the Authority, any business of the Licensee (or of any affiliate or related undertaking of the Licensee) that is carrying out activities that require authorisation in accordance with Article 6(1)(a) of the Order or with section 5(1)(a) of the Gas Act;

**“Energy Business”**

means any business (other than the Authorised Business) that is involved in the generation or supply of electricity or in the production, purchase or supply of gas;

**“Gas Act”**

means the Gas Act 1986, as amended from time to time;

**“Holding Company”**

has the meaning given to it in section 1159 of the Companies Act 2006;

**“Related Energy Business”**

means any Energy Business which was an affiliate or related undertaking of the Licensee at any given time in the six months prior to the date the person ceased to be engaged or employed by the Authorised Business; and

**“Ultimate Holding Company”** means any person which is a Holding Company of the Licensee, and which is not itself a subsidiary of another company.



## **Condition 2.13: Network Forecasts**

### **2.13.1 Network Forecasts**

The licensee shall comply with a direction given by the Authority to prepare a statement in such form as may be specified in the direction giving, with respect to each of the 10 succeeding years beginning with **1 June 2014** such information by way of forecasts of:

- (a) the use, to the best of the Licensee's knowledge and belief, likely to be made of the Network or any part of the Network by persons authorised to convey, store or supply gas under Article 8 of the Order (including the Licensee and any affiliate or related undertaking of the Licensee); and
- (b) the likely developments to the Network which the Licensee expects from time to time to be taken into account in determining the charges for making connections to that system and for entering into arrangements for the conveyance of gas;

as will assist:

- (c) a person seeking to connect a pipe-line of his to the Network or enter into arrangements for the conveyance of gas in identifying and evaluating the opportunities for so doing; and
- (d) the Authority to monitor issues relating to security of supply.

### **2.13.2 Co-ordination with Statements of other Designated Pipeline Operators**

The preparation of any statement in accordance with paragraphs 1 and 3 shall, so far as possible be co-ordinated with the preparation of the corresponding or equivalent statement required to be produced by every other Designated Pipeline Operator and such statements shall, so far as possible and save to the extent the Authority consents otherwise, be prepared on a consistent basis.

### 2.13.3 Revised Network forecasts

Except in so far as the Authority consents to the Licensee not doing so, the Licensee shall, on an annual basis, prepare a revision of any statement prepared under Condition 2.13.1 so as to ensure that, so far as reasonably practicable, the information in the revised statement is up to date.

### 2.13.4 Provision and Publication of forecasts

The Licensee shall, subject to any requirement to comply as is appropriate with the listing rules (within the meaning of Part VI of the Financial Services and Markets Act 2000) of the Stock Exchange and with Condition 2.13.5:

- (a) no later than the tenth working day of June in each calendar year, furnish the Authority with a copy of the statement prepared under Condition 2.13.1 and of each revision of the statement prepared under Condition 2.13.3;
- (b) in such form and manner as the Authority may direct, publish a description of the statement and of each revision; and
- (c) send a copy of the statement and of each revision to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct.

### 2.13.5 Particular interests

In complying with the requirements of Condition 2.13.4(b) and (c), the Licensee shall have regard to the need for excluding, so far as practicable:

- (a) any matter which relates to the affairs of an individual, where the publication of that matter would or might seriously and prejudicially affect the interests of that individual; and
- (b) any matter which relates specifically to the affairs of a particular body of persons, whether corporate or unincorporated where publication of that matter would or might seriously and prejudicially affect the interests of that body.

#### 2.13.6 Determination by Authority of Particular interests

Except in so far as the Authority consents to the Licensee not doing so, the Licensee shall refer for determination by the Authority any question as to whether any matter seriously and prejudicially affects the interests of an individual or a body of persons.

#### 2.13.7 Definition

“Designated Pipeline Operator”	In this Condition: has the meaning given to it in [Condition 2A.1] of this Licence.
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## **Condition 2.13A: Forecasting Party Agreement**

### **General Duty**

2.13A.1 The Licensee shall, in conjunction and co-operation with all distribution system operators, prepare, enter into, maintain in force and comply with, an agreement that:

- (a) is designed to facilitate the achievement of the objectives set out in paragraph 2 (the **relevant objectives**); and
- (b) makes provision relating to the matters set out in paragraph 3 (the **relevant matters**),

(the **Forecasting Party Agreement**).

2.13A.2 The relevant objectives are:

- (a) the efficient discharge of the obligations imposed on the Licensee in its capacity as the person designated by the Authority as a forecasting party for the purposes of the EU Regulation (the **Forecasting Party**);
- (b) the provision of timely and accurate Non Daily Metered offtake forecasts to Network Users for the purpose of minimising imbalance charges as calculated under and in accordance with the Licensee's Network Code.

2.13A.3 The relevant matters are:

- (a) such matters as are requisite for the enjoyment and discharge of the rights and obligations of the Licensee in its capacity as the Forecasting Party as set out in EU Regulation:
- (b) the provision of timely and accurate forecasts, from each distribution system operator to the Licensee in its capacity as the Forecasting Party, of gas offtake data in respect of each Non Daily Metered Offtake on that operator's distribution system.

2.13A.4 The Forecasting Party Agreement:

- (a) shall provide for any disputes between the parties relating to proposed revisions to the Forecasting Party Agreement to be referred to the Authority for determination; and
- (b) may provide for there to be referred to the Authority for determination such additional matters arising under the Forecasting Party Agreement as may be specified in the Forecasting Party Agreement.

2.13A.5 The Licensee:

- (a) shall, in conjunction with all distribution system operators, submit the Forecasting Party Agreement to the Authority by a date to be determined by the Authority in consultation with the relevant parties; and
- (b) shall not enter into a Forecasting Party Agreement which is not approved by the Authority.

Review of the Agreement

2.13A.6 The Licensee shall, periodically, or at any time on the receipt of a request from the Authority to do so, review in conjunction and cooperation with all distribution system operators, the Forecasting Party Agreement and its implementation to:

- (a) ensure that it meets the requirements of this Condition 2.13A; and
- (b) to consider whether any alternative agreement would better achieve those requirements.

2.13A.7 Following any such review, the Licensee shall, in conjunction with all distribution system operators, send to the Authority:

- (a) a report on the outcome of the review;
- (b) any revisions which the parties agree should be made to the Forecasting Party Agreement (having regard to the outcome of the review); and
- (c) details of any matters (including proposed revisions) in respect of which the parties are in disagreement (which matters may be referred to the Authority for

determination in accordance with the terms of the Forecasting Party Agreement as provided for by paragraph 4).

#### Revision of the Agreement

2.13A.8 Any revision to the Forecasting Party Agreement that is agreed by the parties shall require the Authority's approval before it may be made.

2.13A.9 The Licensee shall procure that no modification, amendment or variation is made to the Forecasting Party Agreement without the prior approval of the Authority.

#### Definitions

2.13A.10 In this Condition:

EU Regulation	means Commission Regulation (EU) No. 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.
Non Daily Metered Offtake	Has the meaning given to that term in Commission Regulation (EU) No. 312/2014

## **Condition 2.14: Transmission System Operator**

### **2.14.1 Transmission system owner and operator**

The Licensee shall at all times, while it is the owner of the Network also act as the operator of the Network and shall be responsible for ensuring compliance with all the statutory and regulatory obligations which apply to the conveyance of gas through, and the operation, maintenance and development of, the Network

### **2.14.2 Sub-Contracting - General**

Subject to paragraph 2.14.3, the requirement in paragraph 2.14.1 shall not prevent the Licensee from making contractual arrangements under which a third party carries out any of the activities of conveying gas through any part of the Network or has contractual responsibility for operating, maintaining, and developing any part of the Network in accordance with the instructions of the Licensee.

### **2.14.3 Sub-Contracting – Terms and Conditions**

Where the Licensee makes contractual arrangements under which a third party carries out any of the activities of conveying gas through any part of the Network or has contractual responsibility for operating, maintaining and developing any part of the Network in accordance with the instructions of the Licensee, the Licensee shall ensure that the contractual arrangements contain such terms and conditions which ensure:

- (a) that any information relating to the Licensee or the Licensed Business which is provided by the Licensee to, or otherwise obtained by, the third party is:
  - (i) kept confidential and secure such that it is not disclosed to any other person; and
  - (ii) not used by that third party for any purpose other than for the purpose of fulfilling the contractual arrangements; and
- (b) that the third party does not:
  - (i) prevent (whether by act or omission) the Licensee

from complying with the Directive or its certification as a transmission system operator; or

- (ii) cause (whether by act or omission) the Licensee to contravene the Directive or its certification as a transmission system operator.

#### 2.14.4 Certification

The Licensee shall, where it is, in accordance with Article 3 of the Gas Regulation, certified by the Authority as a transmission system operator:

- (a) use all reasonable endeavours to ensure that the certification ground on which the Licensee is certified continues to apply;
- (b) as soon as practicable after it becomes aware of it, give notice (in writing) to the Authority of:
  - (i) any proposed or actual change in control of the Licensee;
  - (ii) any event, change in circumstance, or transaction undertaken (or proposed to be undertaken) by the Licensee or any affiliate or related undertaking of the Licensee, which:
    - (A) affects, or is likely to affect, the Licensee being certified as a transmission system operator on the certification ground on which it is certified; or
    - (B) requires, or is likely to require, a reassessment by the Authority of whether the certification ground on which it is certified continues to apply in respect of the Licensee.

#### 2.14.5 Meaning of Control

For the purposes of Condition 2.14.4(a) there is a change in the control of the Licensee whenever a person obtains control of the Licensee who did not have control of the Licensee at the date that the Authority last certified, in accordance with Article 3 of the Gas Regulation, the Licensee as a transmission system operator; and sub-sections (2),



(3) and (4) of Section 450 of the Corporation Tax Act 2010 shall apply for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, but at any time should no person have control then for the words "the greater part" wherever they occur in said sub-section (3) there shall be substituted the words "one-third or more".

#### 2.14.6 Definitions

In this Condition "certification ground" has the meaning given to it in Article 8L of the Order.

**Condition 2.15: Not Used**

**Condition 2.16: Not Used**

## **Condition 2.17: Single System Operation Arrangements**

### **Introduction**

2.17.1 The purpose of this Condition 2.17 is to streamline the interaction and communication that is required between gas suppliers and each HP Conveyance Licensee, through the common provision by all HP Conveyance Licensees of their services and systems (which common provision shall be referred to as "**Single System Operation**") that facilitates the achievement of the following objectives:

- (a) development and administration of gas transportation services in Northern Ireland in an efficient and coordinated manner;
- (b) the identification and implementation of cost efficiencies by HP Conveyance Licensees to be obtained from Single System Operation;
- (c) the implementation and maintenance of a Single Network Code;
- (d) the provision of a single point and system of contact for gas suppliers, including through the use of a single IT interface, for all administration services relating to Single System Operation; and
- (e) the accurate and transparent allocation, and robust monitoring and reporting, of costs associated with the implementation and operation of Single System Operation.

### **Arrangements for Single System Operation**

2.17.2 The Licensee shall take all reasonable steps to establish, implement, maintain in force, and comply with arrangements which ensure delivery of Single System Operation (by the Licensee and every other HP Conveyance Licensee) to any User using any part of the HP System of the HP Conveyance Licensees ("**Single System Operation Arrangements**").

2.17.3 The arrangements referred to in paragraph 2.17.2 shall include the following:

- (a) the entering into by the Licensee and every other HP Conveyance Licensee, by

a date as directed by the Authority, a Single System Operation agreement (a **SSO Agreement**) which contains such provisions as are requisite to meet the objectives set out in paragraph 2.17.1, and implement the requirements set out in paragraphs 2.17.2; 2.17.3 and 2.17.4;

- (b) the preparation, implementation and maintenance in force of a Single Network Code pursuant to the requirements of Condition 2.4, which sets out:
  - (i) the terms of the transportation arrangements established by the Licensee, and every other HP Gas Conveyance Licensee, in respect of the conveyance of gas through any part of the HP System; and
  - (ii) the procedures whereby modifications to the Single Network Code may be proposed, considered and implemented or rejected (“**single network code modification procedures**”);
- (c) the establishment of a governing committee that shall provide oversight and governance and have responsibility for the delivery and operation of the Single System Operation Arrangements (the **Governing Committee**);
- (d) the establishment of a dedicated team (the **SSO Team**) to:
  - (i) carry out the day-to-day activities involved in delivering the Single System Operation Arrangements; (this does not include Control Room Services and physical pipeline operation); and
  - (ii) provide secretarial and administration services in respect of the Single Network Code including, without limitation, the administration of the single network code modifications procedures;
- (e) the implementation, and subsequent maintenance and operation, of an information technology system to store, retrieve, transmit and manipulate data required or used for the purposes of providing the Single System Operation Arrangements (the **SSO IT System**);
- (f) the use only of the SSO IT System, and no other gas transportation information technology system, in the provision of the Single System

Operation Arrangements save that it is acknowledged that the SSO IT system will need to interface with any other external IT system required to deliver Single System Operations (e.g. PRISMA); and

- (g) any other matter relating to the common provision of Single System Operation.:
- (i) which, following agreement with the Licensee, is specified in a direction issued by the Authority, to the Licensee under this Condition 2.17 and to every other HP Conveyance Licensee under the equivalent condition in the Conveyance Licence held by that licensee; or
- (ii) in respect of which the Authority has given its consent following a joint request made to it by the Licensee and every other HP Conveyance Licensee.

#### **SSO Agreement**

2.17.4 The Licensee shall, in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to prepare and, by no later than 6 weeks prior to 1st October 2017 or by such later date as may be directed by the Authority, submit to the Authority for its approval a SSO Agreement which meets the requirements of this Condition.

2.17.5 The SSO Agreement shall:

- (a) set out all of the terms that govern the relationship between the Licensee and every other HP Conveyance Licensee (each a **Party**) to act in conjunction and co-operation with each other to establish, implement and comply with the Single System Operation Arrangements; and
- (b) include, in particular, terms that provide for:
  - (i) the procedures to be adopted by the Parties, and the rights, obligations and principal tasks of each Party, in implementing, operating and maintaining the Single System Operation Arrangements;
  - (ii) the level of resources, including financial and personnel resources, to

be contributed by each Party to the implementation, operation and maintenance of the Single System Operation Arrangements;

- (iii) the establishment, constitution (by reference to the seniority and number of employees of each Party), and role and responsibilities, of the Governing Committee;
- (iv) the establishment, constitution (by reference to the seniority and number of employees of each Party), role and responsibilities of the SSO Team;
- (v) the procedures to be adopted by the Parties for:
  - (A) processing and resolving any dispute between them in respect of their respective rights, obligations and principal tasks in implementing, operating and maintaining the Single System Operation Arrangements;
  - (B) amending the SSO Agreement, including if required to reflect the resolution of any such dispute; and
  - (C) unresolved disputes to be referred to an appropriate third party for determination, which third party may in respect of certain types of dispute be the Authority;
- (vi) any other matter which may be specified in a direction issued following agreement with the Licensee or consent given by the Authority to the Licensee under this Condition 2.17 and to every other HP Conveyance Licensee under the equivalent condition in the Conveyance Licence held by that licensee.

2.17.6 The Authority may within 25 Business Days of receiving an SSO Agreement for approval pursuant to paragraph 2.17.5:

- (a) approve the SSO Agreement as submitted; or
- (b) give notice to the Licensee and every other HP Conveyance Licensee that in its opinion the SSO Agreement does not meet the requirements of this Condition

2.17 which notice shall specify the reasons for such opinion.

2.17.7 Where the Authority gives notice under paragraph 2.17.6(b), it may require the Licensee to make, acting in conjunction and co-operation with every other HP Conveyance Licensee, such revisions as are in the Authority's opinion necessary or expedient in order for the SSO Agreement to meet the requirements of this Condition 2.17.

2.17.8 The Licensee shall not enter into an SSO Agreement which has not been approved by the Authority.

2.17.9 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to:

- (a) vary the SSO Agreement as may be required to:
  - (i) comply with any notice given by the Authority under paragraph 2.17.7;
  - (ii) reflect any direction issued or consent given by the Authority under paragraph 2.17.5(b)(vi);
- (b) take all reasonable steps to reach agreement on variations proposed by the different Parties to the SSO;
- (c) periodically conduct a review of the SSO Agreement to ensure that it continues to be fit for the purpose of meeting the requirements of this Condition 2.17;
- (d) submit a copy of the report of the review conducted in accordance with subparagraph (b) to the Authority as soon as reasonably practicable after the review; and
- (e) vary the SSO Agreement as may be required in light of any outcome of the review.

2.17.10 The Licensee shall not vary, or agree to vary, the SSO Agreement approved by the Authority without the Authority's approval to the variation.

**SSO Team**



2.17.11 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to establish an operational SSO Team by no later than 1 October 2017 or at such later date as may be directed by the Authority.

#### **SSO IT System**

2.17.12 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to ensure that:

- (a) a SSO IT System is implemented by no later than 1 October 2017 or at such later date as may be directed by the Authority; and
- (b) the SSO IT System is capable of handling, and delivering the arrangements (relating to data storage, manipulation, exchange and retrieval) set out in the Single Network Code.

#### **Single Network Code**

2.17.13 The Single Network Code shall be prepared pursuant to, and meet the requirements set out in Condition 2.4 of the Licence.

#### **Reports**

2.17.14 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to submit, as soon as reasonably practicable after 31 December and not later than six months after the gas year end, a report providing details of the performance of the Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, in implementing, maintaining in force and complying with the Single System Operation Arrangements made pursuant to paragraph 2.17.2, in that calendar year.

2.17.15 Form and content of the report required by paragraph 2.17.14 to be as so specified by the Authority.

#### **Interpretation and Definitions**

2.17.16 Where any provision in this Condition requires the Licensee to act *'in*

*conjunction and co-operation with every other HP Conveyance Licensee'* in the fulfilment of an obligation, the Licensee shall:

- (a) use all reasonable endeavours to work together with every other HP Conveyance Licensee to fulfil the relevant obligation;
- (b) provide such assistance as is reasonably required by each other HP Conveyance Licensee such that the relevant obligation may be fulfilled; and
- (c) to the extent the Licensee is not reasonably capable of fulfilling the relevant obligation without the assistance of any or every other HP Conveyance Licensee:
  - (i) ensure that the SSO Agreement requires the HP Conveyance Licensee to provide the assistance in question, and, where it does not, seek to amend the SSO Agreement so that it does include such a requirement; and
  - (ii) exercise all rights available to it in order to obtain the assistance in question.

2.17.17 In this Condition:

<b>Governing Committee</b>	has the meaning given to it in paragraph 2.17.3(c).
<b>HP Conveyance Licensee</b>	means any person holding a licence granted, or treated as granted, under Article 8(1)(a) of the Gas (Northern Ireland) Order and authorising the holder to convey gas through high pressure pipe-lines.
<b>HP System</b>	means the total system that comprises all of the systems of high pressure gas pipe-lines in Northern Ireland through which gas is conveyed by HP Conveyance Licensees.
<b>Network</b>	has the meaning given to it in Condition 1.
<b>Party</b>	has the meaning given to it in paragraph 2.17.5.

<b>Single System Operation</b>	has the meaning given to it in paragraph 2.17.1 and does not include control room services and physical pipeline operation
<b>SSO Agreement</b>	has the meaning given to it in paragraph 2.17.3(a).
<b>SSO IT System</b>	has the meaning given to it in paragraph 2.17.3(e).
<b>SSO Team</b>	has the meaning given to it in paragraph 2.17.3(d).
<b>Single Network Code</b>	has the meaning given to it in paragraph 2.4.1(a).
<b>Single System Operation Arrangements</b>	has the meaning given to it in paragraph 2.17.2.
<b>User</b>	has the meaning given to it in paragraph 2.4.14.



## **PART 2A**

### **STANDARD CONDITIONS APPLICABLE TO THE CONVEYANCE OF GAS BY DESIGNATED PIPELINE OPERATORS**

#### **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 Entry and 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 Capacity Product”	means a Capacity Product with a duration of one year that provides for capacity to be made available throughout a Gas Year;
“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;
“Auction Premium”	means the amount calculated in accordance with Condition 2A.2.5.3(d) for each Capacity Product in a relevant Gas Year;

“Auction Price”	means, in respect of auctions for Capacity Products that are bundled with the capacity products of an interconnected system operator, the share of the price determined in the auction that is payable to the Licensee;
“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 Figures”	shall have the meaning ascribed to that term in Condition 2A.2.3.1(b);
“Capacity Percentage”	shall have the meaning ascribed to that term in Condition 2A.2.5.3(b);
“Capacity Product”	means the products for the provision of capacity at Entry Points or Exit Points made available by Designated Pipe-line Operators listed in the Gas Product Multipliers and Time Factors Table;
“Capacity Reconciliation Payment”	means a charge or a payment, as the context requires, made by the Licensee to each of its Gas Suppliers, and as calculated in accordance with condition 2A.2.6.4;
“Commodity Percentage”	shall have the meaning ascribed to that term in Condition 2A.2.5.2(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;
“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;
“Entry Overrun Charge”	means an entry overrun charge payable by a Gas Supplier in respect of an Entry Point where the quantity of gas allocated to the Gas Supplier under the Network Code exceeds the capacity booked by the Gas Supplier under the Network Code at that Entry Point, which charges are to be calculated in accordance with the Gas Transmission Charging Methodology Statement;
“Entry Point”	means a point of interconnection between the network of a Designated Pipe-line Operator and any other transmission pipe-line (except for any other transmission pipe-line operated by another Designated Pipe-line Operator) at which capacity is subject to booking procedures pursuant to the Network Code of that Designated Pipe-line Operator and which constitutes an Entry Point under the Network Code;
“Entry Point Additional Capacity”	means in respect of a given time the amount of additional capacity (in kWh/day), in excess of the Entry Point Technical Capacity, determined as available (on a firm basis) by the Designated Pipe-line Operator (on whose network the Entry Point is located) in accordance with the OS Scheme and the Network Code of that Designated Pipe-line Operator;
“Entry Point Technical Capacity”	means in respect of a given time the maximum capacity (in kWh/day) available on a firm basis at an Entry Point taking account of the technical requirements of such Entry Point, system integrity and the operational requirements of the network;
“Entry”, “Entering”	or forms thereof, refers to the input of gas at an Entry Point;
“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;
“Exit Ratchet Charge”	means, at any relevant time in respect of a Gas Supplier, charges relating to nominations in excess of Firm Annual Capacity (in kWh/day) deemed to be held at such time by such Gas Supplier in respect of an Exit Point in accordance with the provisions of the Network Code, the charge for which shall be calculated in accordance with Condition 2A.2.5.3(b)
“Firm Annual Capacity”	means, at any relevant time in respect of a Gas Supplier and a Gas Year, annual capacity (in kWh/day) held at such time by such Gas Supplier by way of Annual Capacity Products on a firm basis in respect of an Entry Point or an Exit Point and in respect of that Gas Year;
“Firm Capacity”	means, at any relevant time in respect of a Gas Supplier and a Gas Year, the total of Firm Annual Capacity and Firm Non-Annual Capacity (in kWh/day) held at such time by such Gas Supplier and that Gas Year except that if any Minimum Capacity Value in respect of such Gas Year and such Gas Supplier is greater than such held capacity then such Gas Supplier shall be deemed to hold a Firm Capacity equal to that Minimum Capacity Value;

“Firm Non- Annual Capacity”	means, at any relevant time in respect of a Gas Supplier and a Gas Year (or any relevant part thereof), the capacity (in kWh/day) held at such time by such Gas Supplier by way of Non-Annual Capacity Products on a firm basis in respect of an Entry Point or an Exit Point and in respect of the relevant part of that Gas Year, but shall not include any OS Capacity;
“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 Annual Capacity Charge”	means a charge in respect of each kWh/day of Firm Annual Capacity held by the Licensee’s Gas Suppliers in respect of an Entry or an Exit Point in a Gas Year which shall be calculated in accordance with Condition 2A.2.5.3(b);
“Forecast Postalised Non Annual Capacity Charge”	means a charge in respect of each kWh/day of Non-Annual Firm Capacity held by the Licensee’s Gas Suppliers in respect of an Entry Point in a Gas Year which shall be calculated in accordance with Condition 2A.2.5.3(c);
“Forecast Postalised Charges”	means the Forecast Postalised Commodity Charges, the Forecast Postalised Annual Capacity Charges, the Forecast Postalised Non-Annual Capacity Charges , and charges for the VRF Service;

“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.2.5.2;
“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 Product Multipliers and Time Factors Table	A table approved annually by the Authority following consultation setting out the Capacity Products to be offered by the DPOs and the weightings for Capacity Products to be used in the calculation of the Postalised Charges. The updated Table shall be published by the Licensee.
“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 Transmission Charging Methodology Statement”	means the statement published by the Licensee on its website concerning the methodology for the calculation of gas transmission charges, as provided for in Condition 2A.2.1.9.

“Gas Year”	means the period of time beginning at 05:00 hours on 01 October in any calendar year and ending at 05:00 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.2.6.4(e);
“GS Firm Capacity”	means the total of GS Firm Annual Capacity and GS Firm Non Annual Capacity held by a Gas Supplier in respect of all Entry Points and Exit Points on the Designated Network in a Gas Year;
“GS Firm Annual Capacity”	means the Firm Annual Capacity held by a Gas Supplier in respect of all Entry Points and 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 Annual Capacity is held in such Gas Year;
“GS Firm Non Annual Capacity”	means the Firm Non Annual Capacity held by a Gas Supplier in respect of all Entry Points and Exit Points on the Designated Network in a Gas Year;
“Initial Firm Capacity”	means the total of all Firm Annual 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 and the total Firm Non-Annual Capacity forecast to be held by the Licensee’s Gas Suppliers in respect of [the same] a Gas Year;
“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;
“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 (Annual Capacity)”	means the amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.4(b);
“Monthly Postalised Capacity Payment (Non Annual Capacity)”	means the amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.4(c);
“Monthly Postalised Capacity Payment”	means the total amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in respect of the “Monthly Postalised Capacity Payment (Annual Capacity)” and the “Monthly Postalised Capacity Payment (Non Annual Capacity)”;
“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.2.5.2(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 Annual Capacity Product”	means a Capacity Product for a period shorter than a Gas Year that provides for capacity to be made available in a Gas Year;
“Non Payment Month”	means a month in which a relevant PS Non-Payment occurred;
“Oversubscription Capacity” or “OS Capacity”	means in respect of a given time, an amount of additional capacity (in kWh/day) (not exceeding the Entry Point Additional Capacity) which is available for allocation on a firm basis or is allocated on a firm basis at an Entry Point, for a duration of one Day as a result of the availability of Entry Point Additional Capacity and as determined in accordance with the OS Scheme and the Network Code;
“OS Charging Statement”	has the meaning given in the OS Conditions;
“OS Conditions”	means Condition 2A.2.1.11 to Condition 2A.2.1.21;
“OS Procedure”	has the meaning given to it in the OS Conditions;
“OS Scheme”	has the meaning given to it in the OS Conditions;
“OS Services”	has the meaning given in the OS Conditions;
“Postalised Charges”	means the Forecast Postalised Charges and/or the Year-End Postalised Charges as the case may be;
“Postalisation Conditions”	means the Conditions in Part 2A and the OS Conditions;
“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.2.6.2;
“PS Forecast Annual Quantity”	shall have the meaning ascribed to that term in Condition 2A.2.5.2(a);
“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 Non-Payment”	<p>means:</p> <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 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;</li> </ul>
“PS Notified Debt”	<p>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;</p>
“PS Transmission Payments”	<p>means any amount payable by a PS Gas Supplier in respect of the provision of gas conveyance services on the Postalised System under Condition 2A.2.1.7 (Entry Overrun Charges and Exit Ratchet Charges); Conditions 2A.2.5.5 (Monthly Postalised Payments); 2A.3.4 (Debt Payments); and 2A.2.6.4 (Reconciliation Payments); 2A.2.5.2(c) (Auxiliary Payments) and 2A.2.6.6 (Supplemental Payments) under each Designated Pipe-Line Operator’s Respective Licence;</p>
“Quantity Figures”	<p>shall have the meaning ascribed to that term in Condition 2A.2.3.1(b);</p>
“Quarterly Capacity Quantities”	<p>means for each Capacity Product the aggregate of Firm Annual Capacity or Firm Non Annual Capacity held by all Gas Suppliers in a Quarter;</p>



“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 Conditions 2A.2.6.4(a) to (e) and 2A.2.6.5 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.2.5.7;
“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;
“Total Weighted Forecast Capacity”	means the figure calculated in accordance with 2A.2.5.3(a)
“Total Weighted Year-End Capacity”	means the figure calculated in accordance with 2A.2.6.3(a)
“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);
“VRF Service”	means the Interruptible Virtual Reverse Flow service offered by the Licensee in accordance with Condition 2A.2.1.6 and Conditions 2A.2.1.8 to 2A.2.1.10;
“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 Annual Capacity Charge (Annual Capacity)”	means a year-end charge in respect of each kWh/day of Firm Annual Capacity held by the Licensee’s Gas Suppliers in respect of an Entry Point or an Exit Point in a Gas Year which shall be calculated in accordance with Condition 2A.2.6.3(b);
“Year-End Postalised Non-Annual Capacity Charge”	means a year-end charge in respect of each kWh/day of Firm Non-Annual Capacity held by the Licensee’s Gas Suppliers in respect of an Entry Point or an Exit Point in a Gas Year which shall be calculated in accordance with Condition 2A.2.6.3(c);
“Year-End Postalised Capacity Charge”	means the total charges applicable to each kWh/day of Firm Capacity held by each Gas Supplier for Entry and or Exit from any part of the Designated Network in respect of a Gas Year in accordance with Condition 2A.2.6.3(b) and 2A.2.6.3(c);
“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.2.6.2.

#### 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 the Licensee shall invoice for any Postalised Charges in the unit of Kwh or Kwh/day.

## **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 2A.2 "Day" 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.

2A.2.1.6 The Licensee shall offer:

- (a) the VRF Services referred to in Conditions numbered 2A.2.1.8 to 2A.2.1.10 (the "VRF Conditions"); and

- (b) the OS Services referred to in Condition numbered 2A.2.1.11 to 2A.2.1.20 (the “OS Conditions”).

2A.2.1.7 The Licensee may charge each of its Gas Suppliers an Entry Overrun Charge’ and/or a ‘Exit Ratchet Charge’ as provided for under the terms of the Network Code.

2A.2.1.8 The Licensee shall charge each of its Gas Suppliers to whom it provides the VRF Services the following amounts, namely:

- (a) 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 Gas Transmission Charging Methodology Statement approved by the Authority from time to time;
- (b) no commodity based 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, not later than 1 July in the Gas Year 2015 / 2016 and in each subsequent Gas Year, publish a Gas Transmission Charging Methodology Statement approved by the Authority (and in a manner so approved) showing the charges referred to in Condition 2A.2.1.7 in respect of Overrun Charges and Condition 2A.2.1.8(a) in respect of each kWh/day of VRF Services to be provided in the forthcoming Gas Year.

The Licensee shall not make any changes to the Gas Transmission Charging Methodology Statement without the prior written approval of the Authority. If the Authority does not approve the Gas Transmission Charging Methodology Statement (or any changes to it) submitted to the Authority, the Licensee must make such modifications to the statement as the Authority may direct and must re-submit the statement to the Authority for approval.

2A.2.1.10 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 VRF Services or OS Services

any PS Code Charges which are payable by that Gas Supplier in respect of the VRF Services or OS Services pursuant to the Network Code.

#### Capacity increase through oversubscription and buy back scheme

- 2A.2.1.11 The Licensee shall, in co-operation and conjunction with every other Designated Pipe-line Operator, and following consultation with such interested parties as the Licensee considers likely to be affected, by no later than 12 December 2013 prepare and submit for approval to the Authority arrangements for the Oversubscription and Buy-Back of capacity, to be known as the OS Scheme.
- 2A.2.1.12 If the Authority does not approve the OS Scheme submitted to it, the Authority may issue a direction requiring the Licensee and every other Designated Pipe-line Operator to make such modifications to the OS Scheme which have been submitted to it as are specified in the direction.
- 2A.2.1.13 The Licensee shall implement and comply with the OS Scheme. The OS Scheme shall:
- (a) set out the circumstances in which (and the basis on which) the Licensee will:
    - (i) offer to allocate, and allocate, OS Capacity;
    - (ii) offer to purchase, and purchase, Buy-Back Capacity,collectively referred to as the “OS Services”;
  - (b) set out the methodology for determining the Entry Point Additional Capacity and the amount of OS Capacity that may be offered at a given time in respect of a given Entry Point, and the entry points of other DPOs as defined in their licences;
  - (c) include a charging methodology statement which sets out the methodology for determining the charges for the provision of OS Services (the “OS Charging Statement”);
  - (d) include provisions setting out the basis on which (and times at which) net revenues received in respect of the provision of OS Services are to be apportioned, such provisions to include:



- (i) the definition of net revenues by reference to which such apportionment is to be made;
    - (ii) the proportions as determined by the Authority (from time to time) which shall apply to the apportionment of the net revenues, received in respect of the provision of the OS Services, between (i) the Licensee and any other Designated Pipe-line Operator, and (ii) Gas Suppliers, PS Gas Suppliers and the UC Gas Supplier; and
    - (iii) the timing of such payments following apportionment; and
  - (e) comply with the requirements of point 2.2.2 of Annex 1 to the EC Regulation 715/2009.
- 2A.2.1.14 The processes and procedures to be adopted for the purposes of implementing the OS Scheme, allocating OS Capacity and purchasing Buy-Back Capacity shall be set out in the Licensee's Network Code (the "OS Procedures").
- 2A.2.1.15 The Licensee shall not impose or make payments of (as the case may be ) charges in respect of the provision of OS Services which are applicable at the relevant time of provision, other than as set out in (or as determined in accordance with) the OS Charging Statement.
- 2A.2.1.16 The charges referred to in Condition 2A.2.1.13(c) and 2A.2.1.15 shall, in respect of a Gas Year, not be subject to reconciliation or other adjustment on any ground.
- 2A.2.1.17 The Licensee shall not allocate OS Capacity (or purchase any Buy-Back Capacity) other than in accordance and in compliance with the OS Scheme and the Network Code.
- 2A.2.1.18 The Licensee shall:
- (a) not make any changes to the OS Scheme (including the OS Charging Statement) without the prior written approval of the Authority;
  - (b) in cooperation and conjunction with other Designated Pipe-line Operators, make such changes to the OS Scheme as are set out in any direction issued, to the Licensee and other Designated Pipe-line Operators, by the Authority;

- (c) publish the most up to date and approved OS Scheme in a manner that will bring it to the attention of interested parties and provide a copy on request to any person.

2A.2.1.19 In applying or giving effect to the Conditions in this Part 2A (but without limiting Conditions 2A.2.1.7(a) and (b)) it shall be conclusively presumed that:

- (a) the amounts payable to the Licensee for the allocation of OS Capacity (and the amounts payable to any other Designated Pipe-line Operator for the allocation of capacity which is defined as OS Capacity in the Respective Licence of such Designated Pipe-line Operator), do not constitute PS Transmission Payments and are not to be paid into the PoT Account; and
- (b) any OS Capacity allocated pursuant to the Network Code (and / or, as the context requires, the Network Code of any other Designated Pipe-line Operator) in accordance with the OS Scheme does not constitute (and shall not be taken into account in any calculation of) Actual Firm Capacity, Firm Capacity, GS Firm Capacity, or Initial Firm Capacity.

2A.2.1.20 The Licensee shall, notwithstanding any other contrary provision in any of the Conditions of this Licence, apply charges for OS Capacity allocated (and pay for any Buy-Back Capacity bought) in accordance with the OS Scheme and the relevant provision of the Licensee's Network Code and (if and to the extent it would otherwise would be the case) the application of such charges shall not constitute a contravention of any of the Conditions of this Licence.

2A.2.2 Charging methodology for the conveyance of gas

2A.2.2.1 Subject to Condition 2A.2.2.5, the Licensee shall charge each of its Gas Suppliers in respect of the Entry to and Exit of gas from, and holding of capacity on, the Designated Network the Monthly Postalised Payments in respect of each month or part thereof in a Gas Year in accordance with the terms of this Licence and the applicable provisions of the Network Code.

2A.2.2.2 The Licensee shall charge each of its Gas Suppliers any Debt Payment payable by them in accordance with any Debt Notice; and shall reduce any relevant invoice in respect of Monthly Postalised Payments by the amount of any Debt Repayment in

accordance with any Debt Notice in each case in accordance with the terms of this Licence and the applicable provisions of the Network Code.

2A.2.2.3 On or before the 10th Business Day in December following the end of each Gas Year in respect of which the Licensee has charged Monthly Postalised Payments to a Gas Supplier pursuant to Condition 2A.2.5.5 the Licensee shall, subject to Condition 2A.2.2.5, charge to such Gas Supplier any Supplemental Payment, and charge or repay (as appropriate) to such Gas Supplier a Commodity Reconciliation Payment and a Capacity Reconciliation Payment applicable in respect of that Gas Year calculated in accordance with the Reconciliation Payment Formulae in Condition 2A.2.6.4(b).

2A.2.2.4 Unless the Authority otherwise expressly consents in writing the Licensee shall apply no charge on the Postalised System other than the PS Transmission Payments or as otherwise permitted under the Licence or the Network Code.

2A.2.2.5 The Licensee shall acknowledge that each PS Gas Supplier's obligation to pay PS Transmission Payments shall be consideration for the allocation by the Licensee to such PS Gas Supplier, their nominee or agent (such nominee or agent to be a PS Gas Supplier or otherwise approved by the Authority) of both Firm Capacity at a Transit Point on the Designated Network and the relevant quantity of gas for exit at a Transit Point for the purpose of the Transit of such gas.

2A.2.3 Duty to provide forecasts and information relating to the calculation of the Postalised Charges

2A.2.3.1 Forecasts and information relating to following Gas Years

(a) For the purpose of Condition 2A.2.5, the Licensee shall use its reasonable endeavours, in each Gas Year, to provide the following forecasts and information in respect of the next Gas Year ("GY") and each of the following four Gas Years inclusive ("GY+1" to "GY+4" respectively) (the "Forecast Figures") to the Authority no later than the fifteenth Business Day in March:

(i) the total of all Forecast Supplier Quantities in a Gas Year (the "Forecast Annual Quantity") together with:

- (aa) an explanation of the reasons why any Forecast Annual Quantity in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the Forecast Annual Quantity in respect of GY;
  - (bb) a breakdown of the Forecast Annual Quantities in respect of each Exit Point in each relevant Gas Year; and
  - (cc) a breakdown showing the proportions of the Forecast Annual Quantity and aggregated Forecast Supplier Quantities attributable to each Quarter of GY;
- (ii) the assumptions on which the figures provided pursuant to Condition 2A.2.3.1(a)(i) were based:
  - (aa) which for power stations shall include but not be limited to load factors, generation output and efficiency;
  - (bb) which for Gas Suppliers to distribution networks shall include but not be limited to numbers of consumers and average forecast quantity per consumer;

and in either case shall include an explanation of any material difference between such forecasts for the year GY and the forecast in respect of the then current Gas Year; and

- (iii) for each Capacity Product a breakdown in respect of each Entry Point and Exit Point of the Initial Firm Capacity in respect of GY and a forecast of Initial Firm Capacity in respect of GY+1 to GY+4 inclusive, together, with:
  - (aa) An explanation of the reasons why any Initial Firm Capacity in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the Initial Firm Capacity in respect of GY;
  - (bb) For each Non Annual Capacity Product a breakdown of the Initial Firm Capacity attributable to each Quarter of GY;

- (iv) the assumptions on which the figures provided pursuant to Condition 2A.2.3.1(a)(iii) were based:
- (b) The Licensee shall use its reasonable endeavours to ensure that all Forecast Figures supplied to the Authority in accordance with Condition 2A.2.3.1(a) are as accurate as possible having regard to the information and forecasts available to the Licensee including that provided by its Gas Suppliers and shall provide to the Authority, with the figures provided under Condition 2A.2.3.1(a)(i) (the “Quantity Figures”), and 2A.2.3.1(a)(iii) (the “Capacity Figures”), a full explanation as to how they have been calculated. In the event that any such Gas Supplier has failed to provide such information prior to the date specified by 2A.2.3.1(a), the Licensee shall ensure that the Quantity Figures and the Capacity Figures are as accurate as possible having regard to the information and forecasts available to the Licensee and shall inform the Authority which Gas Suppliers have failed to provide the required information.
- (c) The Licensee shall promptly provide to the Authority such further information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires, in relation to the Quantity Figures and the Capacity Figures.
- (d) The Licensee may fulfil its obligations under this Condition 2A.2.3.1 by providing the relevant information in a joint report with one or more other Designated Pipe-line Operators which shall comply with this Condition 2A.2.3.1 in respect of the Licensee and each such Designated Pipe-line Operator.
- (e) If, in the Authority’s reasonable opinion, having regard to information and explanations provided by the Licensee and representations made on or before the fourth Business Day in April by parties which the Authority reasonably considers to have sufficient interest in making such representations (such parties to include the Licensee):
  - a Forecast Annual Quantity figure does not represent an accurate estimate taking into proper account all relevant information; and/or

- a Initial Firm Capacity figure does not represent an accurate estimate taking into proper account all relevant information; and/or
- the assumptions provided in accordance with Condition 2A.2.3.1(a)(ii) or 2A.2.3.1(a)(iv) are inappropriate;

the Authority may by notice to the Licensee given on or before the fifth Business Day in April of the relevant Gas Year modify the Forecast Annual Quantity and/or the Initial Firm Capacity figure, such notice to contain an explanation of the reasons for such modification. The modified figure set out in any such notice shall be substituted for and for all purposes treated as the Forecast Annual Quantity and/or the Initial Firm Capacity figure submitted by the Licensee.

- (f) The Licensee shall, not later than the fifteenth Business Day in April submit the Forecast Figures (adjusted to reflect any modification made by the Authority pursuant to Condition 2A.2.3.1(e)) to the PSA for calculation of the Forecast Postalised Charges in accordance with the PSA Agreement.
- (g) If the Licensee fails to provide the Forecast Figures in accordance with, and/or by the date specified in, Condition 2A.2.3.1(a) the Authority shall be entitled on or after the fifth Business Day in April by written notice to the Licensee and the PSA to determine the Forecast Figures. Forecast Figures so determined may at the Authority's discretion either:
  - (i) reflect the Actual Figures in respect of the previous Gas Year; or
  - (ii) be such other figures as the Authority reasonably deems appropriate.
- (h) Not later than the fifteenth Business Day in April, the Licensee shall provide the approved Gas Product Multipliers and Time Factors Table to the PSA once it has received the updated Table from the Authority.

#### 2A.2.3.2 Information relating to previous Gas Year

- (a) In each Gas Year commencing on or after 1st October 2005, for the purpose of Condition 2A.2.6, the Licensee shall submit to the Authority and to the PSA, in each case no later than the tenth Business Day in November, the

following information (the “Actual Figures”) for the immediately preceding Gas Year:

- (i) the Annual Exit Quantity in that Gas Year, together with a breakdown of that figure by Exit Point;
- (ii) the Actual Firm Capacity by Exit Point; and
- (iii) the Actual Firm Capacity by Entry Point and by product.

and with the Actual Figures, the Licensee shall provide the Authority and each of the other Designated Pipe-Line Operators with any further information required under any other Condition of this Licence.

- (b) The Licensee shall provide to the Authority such further information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires in connection with its consideration of any differences between the Forecast Figures and the corresponding Actual Figures for the relevant Gas Year.
- (c) If the Licensee fails to provide the Actual Figures in accordance with, and/or by the date specified in, Condition 2A.2.3.2(a) the Authority shall be entitled to determine the Actual Figures as it reasonably deems appropriate and shall inform the Licensee and the PSA by notice of the Actual Figures so determined.

#### 2A.2.3.3 Provision of quarterly information

- (a) In respect of each Gas Year commencing on or after the Designation Date, the Licensee shall no later than 10 Business Days after the end of each Quarter in a Gas Year provide:
  - (i) the Authority; and
  - (ii) all of the other Designated Pipe-line Operators;

with a breakdown of the Quarterly Exit Quantities by Exit Point for the relevant Quarter and any other information required to be provided by the Licensee on a Quarterly basis under this Licence,

with a breakdown of the Quarterly Capacity Quantities by each Entry Point and by each Exit Point for the relevant Quarter.

- (b) At the same time as the Licensee provides the figures required under Condition 2A.2.3.3(a), the Licensee shall confirm to the Authority, the other Designated Pipe-line Operators and each of the PS Gas Suppliers whether it is aware of or has reason to believe that the Forecast Figures provided in accordance with Condition 2A.2.3.1(a) for the remainder of the current or any future Gas Years will or may be materially inaccurate. If the Licensee suspects such material inaccuracy, it shall provide details of the extent of such inaccuracy, and its reasons for such belief.
- (c) The Licensee may fulfil its obligations under this Condition 2A.2.3.3, by submitting, together with one or more other Designated Pipe-line Operators, a joint report which shall comply with this Condition 2A.2.3.3.
- (d) No later than [10] Business Days after the end of each Quarter in a Gas Year the Licensee shall provide to each PS Gas Supplier details of:
  - (i) the aggregate sum of all Quarterly Exit Quantities (whether in the form of a joint report or otherwise) in respect of each Exit Point on the Designated Network; and
  - (ii) the aggregate sum of all Quarterly Capacity Quantities (whether in the form of a joint report or otherwise) in respect of each entry Point and each Exit Point on the Designated Network.



2A.2.4 Duty to co-operate with the PSA and other Designated Pipe-line Operators

The Licensee shall co-operate with the PSA and other Designated Pipe-line Operators with a view to facilitating the PSA in complying with its obligations under the PSA Agreement and to facilitating the other Designated Pipe-line Operators in complying with their obligations under Conditions 2A.2 and 2A.4 of their Respective Licences.

2A.2.5 Forecast Postalised Charges

2A.2.5.1 The Forecast Postalised Charges shall be calculated by the PSA and shall comprise a Forecast Postalised Commodity Charge calculated in accordance with Condition 2A.2.5.2 and a Forecast Postalised Annual Capacity Charge calculated in accordance with Condition 2A.2.5.3(b) and a Forecast Postalised Non Annual Capacity Charge calculated in accordance with Condition 2A.2.5.3(c).

For the purpose of this Condition 2A.2.5, Capacity Products include those set out in the Gas Product Multipliers and Time Factors Table.

2A.2.5.2 Forecast Postalised Commodity Charge

(a) Subject to Conditions 2A.2.5.6, 2A.2.5.7, the Forecast Postalised Commodity Charge to be charged in respect of Gas Year “t” to each Gas Supplier in respect of each kWh of gas allocated to each such Gas Supplier under the Network Code in respect of each Exit Point during that Gas Year shall be calculated in accordance with the following formula:

$$FPComC_t = \frac{(PSFRR_t * \text{Commodity Percentage})}{(PS \text{ Forecast Annual Quantity}_t)}$$

where:

“FPComC<sub>t</sub>” means the Forecast Postalised Commodity Charge for Gas Year “t”;

“Commodity Percentage” means 25% up to 30 September 2020, then 15% from 1 October 2020 and 5% from 1 October 2021.

“PS Forecast Annual Quantity<sub>t</sub>” means:

the sum of the Forecast Annual Quantities (as that term is defined in each Designated Pipe-line Operator's Respective Licence) in respect of all PS Gas Suppliers for the relevant Gas Year "t"; and

"PSFRR<sub>t</sub>" means the PS Forecast Required Revenue for Gas Year "t".

- (b) A Monthly Postalised Commodity Payment shall be calculated in accordance with the following formula in respect of gas allocated to each Gas Supplier for Exit in respect of the previous month, the components of which shall be applied in respect of month "m" in Gas Year "t" and shall be payable by a Gas Supplier "s":

$$\text{MPCoMP}_{\text{smt}} = \text{FPCoMC}_t \times \text{MEQ}_{\text{smt}}$$

where

$\text{MPCoMP}_{\text{smt}}$  means the Monthly Postalised Exit Commodity Payment payable by a Gas Supplier "s" in respect of month "m" of Gas Year "t";

$\text{FPCoMC}_t$  means the Forecast Postalised Commodity Charge applicable in respect of Gas Year "t" in accordance with 2A.2.5.2(a); and

$\text{MEQ}_{\text{smt}}$  means the Exit Quantity allocated to Gas Supplier "s" in respect of an Exit Point and in respect of month "m" of Gas year "t".

- (c) If the aggregate of the Monthly Postalised Commodity Payments invoiced or to be invoiced to a Gas Supplier "s" in respect of a Gas Year "t" ( $\Sigma \text{MPCoMP}_{\text{st}}$ ) is less than the product of  $\text{FPCoMC}_t$  multiplied by the Minimum Quantity Value in respect of Gas Year "t" for Gas Supplier "s", the Licensee shall invoice to Gas Supplier "s" in accordance with the provisions of this Licence, an Auxiliary Payment (referred to as  $\text{Aux}_{\text{st}}$ ) calculated by the Licensee as follows:

$$\text{Aux}_{\text{st}} = (\text{FPCoMC}_t \times \text{Minimum Quantity Values}_t) - \Sigma \text{MPCoMP}_{\text{st}}$$

Such Auxiliary Payments shall be included in the invoice for PS Transmission Payments applicable for the last month in Gas Year "t".

- (d) The Forecast Postalised Commodity Charge invoiced to a Gas Supplier “s” in respect of a Gas Year “t” or month “m” of Gas Year “t” calculated in accordance with Condition 2A.2.5.2 (a) shall be rounded to seven 7 decimal places.

#### 2A.2.5.3 Forecast Postalised Annual Capacity Charge

- (a) The Total Weighted Forecast Capacity bookings for year “t” for all Firm Capacity held by Gas Suppliers for all time periods in Gas Year “t”, shall be calculated according to the following formula:

$$TWFC_t = \sum[FQ_{pdt} \times w_{pdt}]$$

Where:

“TWFC<sub>t</sub>” is the Total Weighted Forecast Capacity bookings for Gas Year “t”

“FQ<sub>pdt</sub>” is the total forecast capacity booking for Capacity Product “p” in time period “d” of Gas Year “t”

“w<sub>pdt</sub>” is the product weighting for Capacity Product “p” listed in the Gas Product Multipliers and Time Factors Table in time period “d” of Gas Year “t”, in accordance with the Gas Product Multipliers and Time Factors Table.

- (b) Subject to Conditions 2A.2.5.6, 2A.2.5.7, the Forecast Postalised Annual Capacity Charge to be charged in respect of each kWh/day of Firm Annual Capacity at each Entry Point and Exit Point in respect of Gas Year “t” shall be calculated in accordance with the following formula:

$$FPACapC_t = \frac{PSFRR_t * \text{Capacity Percentage} * PMA}{TWFC_t}$$

where:

“FPACapC<sub>t</sub>” means the Forecast Postalised Annual Capacity Charge in Gas Year “t”; and

“Capacity Percentage” means 75% until 30 September 2020, then 85% from 1 October 2020 and 95% from 1 October 2021.

“PMA” means the annual product multiplier and/or seasonal factor as appropriate for Gas Year t, in accordance with the “Gas Product Multipliers and Time Factors Table”.

“PSFRR<sub>t</sub>” means the PS Forecast Required Revenue for Gas Year “t”.

“TWFC<sub>t</sub>” means the Total Weighted Forecast Capacity bookings for Gas Year “t” as calculated in Condition 2A.2.5.3(a).

- (c) The Forecast Non-Annual Postalised Capacity Charge to be charged in respect of each kWh/day of Firm Non-Annual Capacity in respect of Gas Year “t” for each NonAnnual Capacity Product “p” shall be calculated in accordance with the following formula:

$$FPNACapC_{pt} = FPACapC_t \times PM_{pt}$$

“FPNACapC<sub>pt</sub>” means the Forecast Postalised Non Annual Capacity Charge in Gas Year “t” for Capacity Product “p”

“FPACapC<sub>t</sub>” means the Forecast Postalised Annual Capacity Charge in Gas Year “t”; and

“PM<sub>pt</sub>” means the product multiplier and/or seasonal factor as appropriate for Capacity Product “p” for Gas Year “t”, in accordance with the Gas Product Multipliers and Time Factors Table.

This formula shall not apply to VRF Services, the charge for which shall be determined pursuant to the Gas Transmission Charging Methodology Statement as set out in Condition 2A.2.1.8.

- (d) In the event that the Auction Price for the corresponding Capacity Product at the corresponding time period is greater than the Forecast Postalised Annual Capacity Charge or the Forecast Postalised Non-Annual Capacity Charge calculated in accordance with paragraphs (b) and (c) respectively, the relevant auction premium shall be calculated as follows.

The Auction Premium at the auction conducted in Gas Year “a” for each Capacity Product “p” in Gas Year “t” shall be defined as:

$$\text{Pre}_{\text{apt}} = \text{Auc}_{\text{apt}} - \text{FPCapC}_{\text{apt}}$$

“Pre<sub>apt</sub>” means the Auction Premium for product “p” in Gas Year “t”

“Auc<sub>apt</sub>” means the Auction Price for Capacity Product “p” in Gas Year “t”

“FPCapC<sub>pt</sub>” means the relevant Forecast Postalised Annual Capacity Charge or Forecast Postalised Non-Annual Capacity Charge for Capacity Product “p” in Gas Year “t”;

#### 2A.2.5.4 Monthly invoices to Shippers for capacity products

- (a) For the purposes of this section, the Forecast Postalised Capacity Charges invoiced to a Gas Supplier “s” in respect of a Gas Year “t” or month “m” of Gas Year “t” for each Capacity Product “p” shall be rounded to seven [7] decimal places.
- (b) The Monthly Annual Postalised Capacity Payment for Gas Supplier “s” for Gas Year “t” shall be calculated as:

$$\text{APCP}_{\text{st}} = \frac{\sum_{a=1}^{15} \{ (\text{FPACapC}_{\text{apt}} + \text{Pre}_{\text{apt}}) \times (\text{Q}_{\text{stpa}}) \}}{12}$$

Where:

APCP<sub>st</sub> is the Annual Postalised Capacity Payment for Gas Supplier “s” for Gas Year “t”

FPACapC<sub>apt</sub> means the Forecast Postalised Annual Capacity Charge for Annual Capacity Product “p” in Gas Year “t” in the auction in Gas Year “a”;

Pre<sub>apt</sub> means the Auction Premium for Capacity Product “p” in Gas Year “t” in the auction in Gas Year “a”;

Q<sub>stpa</sub> is the quantity of capacity allocated to Gas Supplier “s” for product “p” to be used in Gas Year “t” that was bought in the auction in Gas Year “a”.

- (c) For each Non Annual Capacity Product “p”, a Monthly Capacity Payment (Non – Annual Capacity) amount exclusive of VAT and termination payments shall be calculated for each Gas Supplier for each Entry Point according to the following formula:

$$MPNACapP_{psm} = (FPNACapC_t + Pre_{pmt}) \times NAC_{psmt}$$

Where:

$MPNACapP_{ps}$  means the Monthly Postalised Capacity Payment payable by a Gas Supplier “s” in respect of month “m” of Gas Year “t”. This payment shall be calculated separately for the entry capacity booked at each Entry Point;

$FPNACapC_t$  means the Forecast Postalised Non Annual Capacity Charge applicable in respect of Gas Year “t” in accordance with Conditions 2A.2.5.3(c) and 2A.2.5.3(d);

$NAC_{psmt}$  means the Firm Non- Annual Capacity for Capacity Product “p” held by a Gas Supplier “s” in respect of month “m” of Gas Year “t”

$Pre_{pmt}$  means the Auction Premium for Capacity Product “p” in month “m” of Gas Year “t”. For the avoidance of doubt, these premia may refer to auctions conducted in Gas Years prior to Gas Year “t”, as well as during Gas Year “t”, if they relates to bookings for capacity in Gas Year “t”.

#### 2A.2.5.5 Total monthly invoices to Shippers

- (a) The total monthly capacity and commodity gas costs for Gas Supplier “s” in month “m” of year “t” shall be calculated as the sum of the annual and non-annual invoice amounts calculated in accordance with conditions 2A.2.5.2(a), 2A.2.5.4(a), 2A.2.5.4(c) above, plus Exit Ratchet Charges and Entry Overrun Charges in month “m” of Gas Year “t”.
- (b) The total invoice amount for Gas Supplier “s” in month “m” of year “t” shall be calculated as follows:

$$TIA_{smt} = (TMGC_{smt}) \times (1 + VAT) + T_{smt} + D_{smt} + Aux_{smt} + ORC_{smt} + ERC_{smt}$$

Where:

“TIA<sub>smt</sub>” is the total invoice amount for Gas Supplier “s” in month “m” of year “t”.

“TMGC<sub>smt</sub>” is the total of Forecast Postalised Charges for Gas Supplier “s” in month “m” of year “t”, calculated in accordance with Condition 2A.2.5.5(a) above.

“VAT” is the appropriate rate of Value Added Tax which will be applied to the applicable elements of the invoice.

“T<sub>smt</sub>” is the amount of the termination payment allocated to Gas Supplier “s” in month “m” of year “t”.

“D<sub>smt</sub>” is the amount of the Debt Payment allocated to Gas Supplier “s” in month “m” of year “t”.

“Aux<sub>smt</sub>” means Auxiliary Payment payable by Gas Supplier “s” in month “m” of year “t” and calculated in accordance with condition 2A.2.5.2(c) above.

“ORC<sub>smt</sub>” means the Entry Overrun Charges payable by Gas Supplier “s” in month “m” of year “t”.

“ERC<sub>smt</sub>” means the Exit Ratchet Charges payable by Gas Supplier “s” in month “m” of year “t”.

#### 2A.2.5.6 Emergency Events

If at any point either within the Gas year or in the period from the date of provision of the Forecast Figures for the next Gas Year referred to in Condition 2A.2.3.1 to the start of the next Gas Year an unforeseen event occurs which the Authority believes is likely materially to affect the Forecast Figures for that Gas Year or the next Gas Year the Authority may at its discretion by notice to the Licensee and the PSA adjust the Forecast Figures in respect of such Gas Year to reflect the effect of such event. The Forecast Postalised Charges for such Gas Year shall be calculated by the PSA in accordance with such adjusted figures.

#### 2A.2.5.7 Amendment to Forecast Postalised Charges

If at any date during any Gas Year (“Relevant Charge Date”) the Department issues a Designation Order, or if any Designated Pipe-line Operator ceases to be a Designated Pipe-line Operator, unless the Authority determines otherwise:

- (a) the Forecast Postalised Charges shall be recalculated with effect from the Relevant Charge Date; and
- (b) the Year-End Postalised Charges shall be calculated in respect of the period up to the Relevant Charge Date and the period following the Relevant Charge Date

in each case as determined by the Authority so that an appropriate proportion only of the Forecast Required Revenue of the relevant Designated Pipe-line Operator (as defined in that Designated Pipe-line Operator’s Respective Licence) shall be taken into account before and after the Relevant Charge Date and such adjustments as the Authority considers appropriate shall be made to the PS Forecast Annual Quantity, PS Annual Exit Quantity, PS Forecast Required Revenue, and Total Weighted Year End Capacity bookings, and notified to the Designated Pipe-Line Operators and the PSA.

#### 2A.2.6 Year-End Postalised Charges

- 2A.2.6.1 The Year-End Postalised Charges shall comprise a Year-End Postalised Commodity Charge calculated in accordance with Condition 2A.2.6.2 and a Year-End Postalised Capacity Charge for each Capacity Product listed in the Gas Product Multipliers and Time Factors Table calculated in accordance with Condition 2A.2.6.3 in each case calculated by the PSA. In addition, where one or more Gas Suppliers is or are subject to a commitment to make a Supplemental Payment the Licensee shall comply with Condition 2A.2.6.6.



#### 2A.2.6.2 Year-End Postalised Commodity Charge

The Year-End Postalised Commodity Charge in respect of each kWh of gas allocated to each Gas Supplier under the Network Code in respect of each Exit Point on each day during a Gas Year “t” shall be calculated as determined in accordance with the following formula, the components of which shall be in relation to Gas Year “t”:

$$YEPComC_t = \frac{((PSARR_t - T_t) * \text{Commodity Percentage}) - \text{Supplemental Payments}_t}{(PS \text{ Annual Exit Quantity}_t)}$$

where:

YEPComC<sub>t</sub> means the Year-End Postalised Exit Commodity Charge for Gas Year “t”;

PSARR<sub>t</sub> means the PS Actual Required Revenue in respect of Gas Year “t”;

T<sub>t</sub> means any Termination Payments payable in respect of PS Transmission Payments relating to Gas year “t”

PS Annual Exit Quantity<sub>t</sub> means:

the sum of the Annual Exit Quantities (as that term is defined in each Designated Pipeline Operator’s Respective Licence) for the relevant Gas Year “t”.

#### 2A.2.6.3 Year-End Postalised Capacity Charges

- (a) The Total Weighted Year-End Capacity bookings for Gas Year “t” for all Firm Capacity products “p” held by Gas Suppliers listed in the Gas Product Multipliers and Time Factors Table for all time periods “d” in Gas Year “t”, shall be calculated according to the following formula:

$$TWC_t = \sum [YEQ_{pdt} \times w_{pdt}]$$

Where:

“TWC<sub>t</sub>” is the Total Weighted Year-End Capacity bookings for Gas Year “t”

“YEQ<sub>pdt</sub>” is the total outturn year-end capacity booking for Capacity Product “p” in time period “d” of Gas Year “t”

“w<sub>pdt</sub>” is the product weighting for Capacity Product “p” in time period “d” of Gas Year “t” in accordance with the Gas Product Multipliers and Time Factors Table.

- (b) The Year-End Postalised Annual Capacity Charge to be charged to each Gas Supplier in respect of each kWh/day of Firm Annual Capacity in respect of a Gas Year shall be calculated in accordance with the following formula:

$$YPACapC_t = \frac{PSARR_t * Capacity\ Percentage * PM_A}{TWC_t}$$

where:

“YPACapC<sub>t</sub>” means the Year-End Postalised Annual Capacity Charge in Gas Year “t”.

“PM<sub>A</sub>” means the annual product multiplier and/or seasonal factor as appropriate for Gas Year “t”, in accordance with the Gas Product Multipliers and Time Factors Table.

“PSARR<sub>t</sub>” means the PS Actual Required Revenue for Gas Year “t”.

“TWC<sub>t</sub>” means the Total Weighted Year End Capacity bookings for Gas Year “t” as calculated in paragraph 2A.2.6.3(a).

- (c) The Year-End Postalised Non Annual Capacity Charge to be charged to each Gas Supplier in respect of each kWh/day of Firm Capacity at each Entry Point in respect of time period “d” in Gas Year “t” for each Capacity Product “p” shall be calculated in accordance with the following formula:

$$YPNACapC_{pdt} = YPACapC_t \times PM_{pt}$$

“YPNACapC<sub>pdt</sub>” means the Year-End Postalised Non-Annual Capacity Charge in time period “d” of Gas Year “t” for Capacity Product “p”

“YPACapC<sub>t</sub>” means the Year-End Postalised Annual Capacity Charge in Year t;  
and

“PM<sub>pdt</sub>” means the product multiplier and/or seasonal factor as appropriate for Capacity Product “p” for time period “d” of Gas Year “t”, in accordance with the Gas Product Multipliers and Time Factors Table.

#### 2A.2.6.4 Reconciliation Payments

- (a) For Firm Annual Capacity , pertaining to gas offtaken in Gas Year “t”, there shall be calculated a Reconciliation Unit Charge as follows:

$$(i) \text{ RUC}_{\text{pat}} = \text{YPACapC}_t - (\text{FPACapC}_{\text{pt}} + \sum \text{Pre}_{\text{apt}})$$

Where:

RUC<sub>pat</sub> is the Reconciliation Unit Charge for Firm Annual Capacity pertaining to gas offtaken in Gas Year “t”, including for the auctions held in Gas Year “a” in respect of capacity during Gas Year “t”; FPACapC<sub>pt</sub> means the Forecast Postalised Annual Capacity Charge for Gas Year “t”;

Pre<sub>apt</sub> means the Auction Premium for Firm Annual Capacity product “p” in Gas Year “t” achieved in the auction in Gas Year “a”;

YPACapC<sub>t</sub> means the Year-End Postalised Annual Capacity Charge in Gas Year “t”.

- (b) For each Non Annual Capacity Product listed in the Gas Product Multipliers and Time Factors Table, for each time period “d” in Gas Year “t”, there shall be calculated a Reconciliation Unit Charge as follows:

$$\text{RUCNA}_{\text{dt}} = \text{YPNACapC}_{\text{ptd}} - (\text{FPNACapC}_{\text{pt}} + \text{Pre}_{\text{pdt}})$$

Where:

RUCNA<sub>dt</sub> is the Reconciliation Unit Charge for Firm Non Annual Capacity

FPNACapC<sub>pt</sub> means the Forecast Postalised Non Annual Capacity Charge (for Capacity Product “p” in Gas Year “t”;

Pre<sub>pdt</sub> means the Auction Premium for Capacity Product “p” in time period “d” of Gas Year “t”;

YPNACapC<sub>pdt</sub> means the Year-End Postalised Non- Annual Capacity Charge for Capacity Product “p” in Gas Year “t”;

- (c) For each Firm Annual Capacity Product “p” listed in the Gas Product Multipliers and Time Factors Table in Gas Year “t”, there shall be calculated a Capacity Reconciliation Payment in respect of each Gas Supplier “s” in accordance with the following formula (which, together with the formula contained in Conditions 2A.2.6.4 (b) above and (d) and (e) below, shall be referred to as the “Reconciliation Payment Formulae”):

$$\text{CapARP}_{\text{stp}} = \sum (\text{RUCA}_{\text{astp}} \times \text{GS Firm Annual Capacity}_{\text{astp}})$$

where:

“CapARP<sub>stp</sub> “ means the Capacity Reconciliation Payment for Firm Annual Capacity payable by or to Gas Supplier “s” in respect of Gas Year “t”;

“RUCA<sub>astp</sub>” is the Reconciliation Unit Charge for Firm Annual Capacity for Gas Supplier “s”, for the Annual Capacity awarded in auctions in Gas Year “a” for Firm Annual Capacity in Gas Year “t” for Firm Annual Capacity product “p”;

“GS Firm Annual Capacity<sub>astp</sub>“ means the GS Firm Annual Capacity held by a Gas Supplier “s” for the capacity awarded in auctions in Gas Year “a” for Firm Annual Capacity in Gas Year “t” for Firm Annual Capacity product “p”,

- (d) For each Non Annual Capacity Product “p” listed in the Gas Product Multipliers and Time Factors Table, for each time period “d” in Gas Year “t”, there shall be calculated a Capacity Reconciliation Payment in respect of each Gas Supplier “s” in accordance with the following formula:

$$\text{CapNARP}_{\text{stdp}} = \text{RUCNA}_{\text{stdp}} \times \text{GS Firm Non Annual Capacity}_{\text{stdp}}$$

where:

“CapNARP<sub>stdp</sub> “ means the Capacity Reconciliation Payment for Firm Non Annual Capacity payable by or to Gas Supplier “s” in respect of Gas Year “t” and Capacity Product “p” for time period “d”;

“RUCNA<sub>stdp</sub>” is the Reconciliation Unit Charge for Firm Non Annual Capacity for Capacity Product “p” for supplier “s”, in time period “d” of Gas Year “t”;

“GS Firm Non Annual Capacity<sub>stdp</sub>” means the GS Firm Non Annual Capacity held by a Gas Supplier “s” in respect of Capacity Product “p” for time period “d” of Gas Year “t”.

- (e) A Commodity Reconciliation Payment shall be calculated in respect of each Gas Supplier in accordance with the following formula and shall be due from a Gas Supplier “s” if a positive value, and shall be due to a Gas Supplier “s” if a negative value:

$ComRP_{st} = E$  or, in the event that E is a positive value, the lesser of E and the sum of 15% of  $\Sigma MPComP_{st}$  plus 15% of any Auxiliary Payments invoiced to that Gas Supplier in accordance with Condition 2A.2.5.1(c)

where:

“ComRP<sub>st</sub>” means the Commodity Reconciliation Payment payable by or to Gas Supplier “s” in respect of Gas Year “t”;

$E = (YEPComC_t - FPComC_t) \times GS \text{ Annual Exit Quantity}_{st}$  ;

“YEPComC<sub>t</sub>” means the Year-End Postalised Commodity Charge applied in respect of Gas Year “t”;

“FPComC<sub>t</sub>” means the Forecast Postalised Commodity Charge applied in respect of Gas Year “t”;

“GS Annual Exit Quantity<sub>t</sub>” means the Exit Quantities of Gas Supplier “s” in respect of Gas Year “t”; and

“ $\Sigma MPComP_{st}$ ” means the aggregate of the Monthly Postalised Commodity Payments invoiced to a Gas Supplier “s” in respect of a Gas Year “t”.

2A.2.6.5 The Total Reconciliation Payment shall be calculated in respect of each Gas Supplier “s” for Gas Year “t” as:

$$TRP_{st} = ComRP_{st} + CapARP_{stp} + CapNARP_{stp} - TORC_{st}$$

Where:

TRP<sub>st</sub> is the Total Reconciliation Payment to Gas Supplier “s” in Gas Year “t”;

ComRP<sub>st</sub> is the Commodity Reconciliation Payment for Gas Supplier “s” in Gas Year “t”, calculated in accordance with condition 2A.2.6.4(e) above;

CapARP<sub>stp</sub> is the Annual Capacity Reconciliation Payment for Gas Supplier “s” in time period “t”, calculated in accordance with condition 2A.2.6.4(c) above;

CapNARP<sub>stp</sub> is the Non-Annual Capacity Reconciliation Payment for Gas Supplier “s” in time period “t”, calculated in accordance with condition 2A.2.6.4(d) above;

TORC<sub>ut</sub> is the proportion of the total of the Entry Overrun Charges due to Gas Supplier “u” in Gas Year “t” calculated according to the following formula:

$$TORC_{ut} = \frac{\sum_{s=1}^n (ORC_{st} \times TIA_{ut})}{\sum_{s=1}^n TIA_{st}}$$

where:

TORC<sub>st</sub> is the proportion of the total of the Entry Overrun Charges due to Gas Supplier “s” in Gas Year “t”

ORC<sub>st</sub> is the charge to Gas Supplier “s” for Entry Overrun Charges in Gas Year “t”, calculated as the sum of monthly overrun charges as defined in Condition 2A.2.5.5

TIA<sub>ut</sub> is the total invoice amount for Gas Supplier “u” in of year “t”, calculated as the sum of monthly invoice amounts for Gas Supplier “u” calculated according to Condition 2A.2.5.5

n is the total number of Gas Suppliers active in Gas Year “t”

The Total Reconciliation Payment shall be due from a Gas Supplier “s” if a positive value, and shall be due to a Gas Supplier “s” if a negative value.

2A.2.6.6 Where a Gas Supplier is subject to a commitment which gives rise to an obligation to make a Supplemental Payment in respect of any Gas Year the Licensee shall invoice the Gas Supplier promptly in accordance with the terms of the commitment and Condition 2A2.2.3 in respect of that Supplemental Payment and shall provide full details of the amount payable to the Authority, the PSA and the other Designated Pipe-line Operators.

#### 2A.2.7 Publication of Postalised Charges

Subject to any contrary requirements in this Condition 2A, the Licensee shall publish in such form and manner as the Authority may direct:

- (a) no later than 31<sup>st</sup> May each year the Forecast Postalised Charges, or revised Forecast Postalised Charges as calculated under Condition 2A.2.5.3, in respect of the next Gas Year and each of the following four Gas Years, a statement of such charges; and
- (b) no later than 3 Business Days after notification to it by the PSA of the Year-End Postalised Charges in respect of a Gas Year, a statement of the Year-End Postalised Charges; and
- (c) no later than 3 Business Days after notification to it by the Authority of any amendments to Forecast Postalised Charges required under Condition 2A.2.5.7, a statement of the amended charges; and
- (d) no later than 31<sup>st</sup> May each year, the Gas Product Multipliers and Time Factors Table.



### **Condition 2A.3 –Recovery of PS Non-Payments**

#### **2A.3.1 Invoicing of PS Transmission Payments**

The Licensee shall issue all invoices, including appropriate VAT invoices to Gas Suppliers in respect of PS Transmission Payments promptly, accurately, and in accordance with the Network Code and the provisions of this Licence.

#### **2A.3.2 PS Non-Payment and Recovery**

In the event of a PS Non-Payment by a Gas Supplier, the Licensee shall:

- (a) take all reasonable steps which a prudent network operator acting efficiently and in accordance with best industry practice would take to recover the amount of the PS Non-Payment,
- (b) in accordance with the Terms of Reference:
  - (i) convene a first meeting of the Credit Committee within 10 Business Days of such PS Non-Payment and such further meetings as may be necessary or appropriate;
  - (ii) attend and participate in any meetings of the Credit Committee convened in connection with the PS Non-Payment; and
  - (iii) comply with any directions issued by the Credit Committee at any time in respect of any PS Non-Payment (“Directions”);
- (c) prior to the first meeting of the Credit Committee referred to in Condition 2A.3.2(b)(i) provide to all parties entitled to attend that meeting the following information (or as much of it as the Licensee is able to provide):
  - (i) full details of the PS Non-Payment(s) including the amount of each PS Non-Payment and the identity of the debtor;
  - (ii) full details of the security provided by the debtor in respect of PS Transmission Payments under the Network Code and, where applicable any steps taken or being taken to enforce it;

- (iii) if desired, a draft of any Directions it believes appropriate for the Credit Committee to consider in respect of the PS Non-Payment(s);
- (iv) all relevant information relating to any proceedings for the liquidation or winding up of the debtor, the making of an administration order or arrangement with any class of creditors, the appointment of an administrator or administrative receiver or receiver or any equivalent insolvency event;
- (v) full details of the steps taken by the Licensee to recover the outstanding amounts with evidence supporting such details; and
- (vi) a full explanation of the reasons why the Licensee has failed to recover the PS Non-Payment(s) at the relevant date;

provided that all such information shall be updated and resubmitted to the relevant parties by the Licensee prior to any further meetings of the Credit Committee which are convened after the first such meeting under Condition 2A.3.2(b)(i), in the event that such information becomes inaccurate with the passage of time; and

- (d) notify the Designated Pipe-line Operators, the PSA and the Authority promptly of any Recoveries received by it and transfer any such Recoveries into the PoT Account within 2 Business Days of such receipt.

#### 2A.3.3 Non Payments by other Designated Pipe-line Operators' Suppliers

The Licensee may itself, or in common with other Designated Pipe-line Operators, convene a meeting of the Credit Committee in relation to any PS Non-Payments caused by a PS Gas Supplier failing to pay PS Transmission Payments invoiced by another Designated Pipe-Line Operator in the event that it believes that the Designated Pipe-line Operator from whose network the defaulting PS Gas Supplier enters or exits gas has failed to convene the Credit Committee within the appropriate period following a PS Non-Payment, or is not fulfilling any Directions.

2A.3.4 Debt Payments

2A.3.4.1 The Licensee shall, not later than 5 Business Days before the Invoice Date occurring in the month following a Non-Payment Month, notify the PSA, all Designated Pipeline Operators, all PS Gas Suppliers, and the Authority of the amount of any PS Non-Payment(s) caused by or relating to its Gas Suppliers arising in that Non-Payment Month which are still outstanding on such date.

2A.3.4.2 The Licensee shall invoice to all Gas Suppliers any Debt Payment or account to all Gas Suppliers in respect of any Debt Repayment, in each case in accordance with the Network Code and as detailed in any Debt Notice in order to give effect to Condition 2A.3.4.3 and shall provide to each Gas Supplier sufficient supporting information to enable it to verify the calculation of Debt Payment or Debt Repayment due from or to it.

2A.3.4.3 Each month “m”, the Net Debt Position (“NDP”) as at the Debt Notice Date will be calculated by the PSA as follows:

$$\text{NDP}_m = (A - B - C) + Z$$

Where:

A = as at the Debt Notice Date the PS Notified Debt;

B = as at the Debt Notice Date, the sum of all Debt Payments then paid or payable (including any interest accrued or accruing in respect of late payments) minus the sum of all Debt Repayments then paid or payable (including any interest accrued or accruing in respect of late payments);

C = as at the Debt Notice Date, the total value of all Recoveries received into the PoT Account, together with any interest paid on such Recoveries;

Z = the sum of all interest charges accrued in relation to NDP in previous months calculated in respect of each such previous month (“pm” and each such interest charge being “I<sub>pm</sub>”) as:

$$I_{pm} = NDP_{pm} \times r$$

r = the interest rate from time to time calculated at the monthly equivalent rate of 0.75 plus the one month LIBOR rate, published five Business Days before the relevant Invoice Date.

- (i) Where NDP is positive, a Debt Payment shall be invoiced to each Gas Supplier in respect of such positive figure. Such Debt Payment shall, in reference to Gas Supplier “s” be calculated by the PSA in accordance with the following method:

the Debt Payment payable by a Gas Supplier “s” in any month shall be equal to the lower of X and Y:

where:

X = the sum of 10% of the total amount payable by a Gas Supplier “s” in respect of the Total Monthly Payment invoiced in the month preceding the month in which the Debt Payment is to be invoiced (such earlier month being “m-1”) and 100% of the amount payable to Gas Supplier(s) in respect of Reconciliation Payments in the month in which the Debt Payment is to be invoiced.

$$Y = \frac{(NDP_m + I_m) \times (TMP_{sm-1})}{PSTMP_{m-1}}$$

where:

TMP<sub>sm-1</sub> = Total Monthly Payment, calculated as the sum of Monthly Postalised Payments plus any Auxiliary Payments, payable by a Gas Supplier “s” invoiced in the month preceding the month when the Debt Payment is invoiced (“m-1”);

$$I_m = \text{NDP}_m \times r; \text{ and}$$

$\text{PSTMP}_{m-1}$  = the aggregate of Total Monthly Payments payable by all PS Gas Suppliers invoiced in respect of the month preceding the month when the Debt Payment is invoiced (“m-1”);

- (ii) Where NDP is negative in respect of a month (month “m”), an amount (a “Debt Repayment”) shall be payable by the Licensee to each relevant Gas Supplier (or former Gas supplier, as the case may be) in respect of any such negative figure. In reference to a Gas Supplier “s” a Debt Repayment shall be calculated by the PSA in accordance with the following formula (the “Debt Repayment Formula”):

$$\text{Debt Repayment to Gas Supplier “s”} = -\text{NDP} \times \text{ADPs}$$

APSDP

where:

“ADPs ”	means the aggregate Debt Payments payable by a Gas Supplier “s” over the Debt Payment Period;
“Debt Payment Period”	means the last month preceding month “m” in which a Debt Payment was payable by PS Gas Suppliers, or, if a Debt Payment has been payable by PS Gas Suppliers in respect of two or more consecutive months preceding month “m”, the period of all such consecutive months preceding month “m”.
“APSDP”	means the aggregate of Debt Payments payable by PS Gas Suppliers during the Debt Payment Period.

#### **Condition 2A.4 – The Postalisation System Administrator**

2A.4.1 The PSA’s primary obligations

2A.4.1.1 Subject to Condition 2A.4.1.2, unless the Authority otherwise directs or consents, the Licensee shall do all things within its power to:

(a) enter into, before such date as is appointed by the Authority; and

(b) be party at all times thereafter to

arrangements whereby a person who fulfils the criteria set out in Condition 2A.4.2 (referred to as the “Postalisation System Administrator” or “PSA”) carries out the activities specified in Condition 2A.4.3 pursuant to an agreement between the PSA and the Designated Pipe-line Operators which fulfils the criteria referred to in Conditions 2A.4.3 and 2A.4.4 and has been and remains approved by the Authority (referred to as the “PSA Agreement”).

2A.4.1.2 The Licensee shall only be entitled to terminate the PSA Agreement without the Authority’s prior written consent if the PSA is or becomes insolvent; if the PSA, in the reasonable opinion of the Licensee, commits a material breach of the terms or warranties of the PSA Agreement; or if any approval given by the Authority under Condition 2A.4.2.2 expires or is revoked. Upon such termination the Licensee shall use its best endeavours promptly to appoint a new PSA in accordance with this Condition 2A.4.

2A.4.1.3 Where written consent of the Authority is required to terminate the PSA Agreement and such consent is sought by the Licensee, such consent shall be deemed as having been given if the Authority has not sent written notice to the Licensee of its objection to such termination and the grounds for such objection within 4 weeks after its receipt of full written details of the proposed termination. The Licensee shall provide the Authority with any further relevant information requested during that four weeks.

2A.4.1.4 Unless the Authority otherwise consents, if the Licensee fails to enter into the arrangements referred to in Condition 2A.4.1.1 above by the date required by that Condition the Licensee shall use its best endeavours to enter into such arrangements as soon as possible thereafter.

- 2A.4.2 Criteria for appointment of the PSA
- 2A.4.2.1 The person fulfilling the functions of PSA from time to time pursuant to this Condition 2A.4 shall:
- (a) be a competent, fit and proper person to fulfil the PSA Functions having the systems and controls in place to fulfil those functions; and
  - (b) have sufficient suitably qualified and skilled personnel to enable it to perform the PSA Functions.
- 2A.4.2.2 The criteria specified in Condition 2A.4.2.1 shall be treated as satisfied in respect of any appointment if the Licensee appoints as the PSA a person who at the time of appointment is a person approved by the Authority for the purposes of this Condition and if that approval has not expired or been revoked.
- 2A.4.3 The PSA's functions
- 2A.4.3.1 The PSA Agreement shall, in accordance with Condition 2A.4.1.1, impose on the PSA the following functions (referred to as the "PSA Functions"):
- (a) the receipt from each of the Designated Pipe-line Operators of the information to be submitted to the PSA pursuant to Condition 2A.2.3 of each Designated Pipe-line Operator's Respective Licence and the receipt from each of the Designated Pipe-line Operators of its Forecast Required Revenue for the coming Gas Year "t" and the following four Gas Years pursuant to its Respective Licence;
  - (b) the calculation of the relevant Forecast Postalised Charges for the next Gas Year and the following four Gas Years through application of the Forecast Postalisation Formulae and notification thereof to all Designated Pipe-line Operators in each case within 5 Business Days of receipt of the information specified in (a) above;

- (c) the verification of payments into the PoT Account (to include keeping a record of all Debt Payments paid by each PS Gas Supplier in relation to particular PS Non-Payments) and prompt notification to Designated Pipe-line Operators of any PS Non-Payment and of any Recovery paid into the PoT Account;
- (d) the calculation of any VAT Distributions due in respect of sums received into the PoT Account from PS Gas Suppliers on the date of calculation of the Monthly Distribution in the relevant month (month “m”).
- (e) notification to the Designated Pipe-line Operators of any part or full settlement of PS Non-Payments by PS Gas Suppliers made on or before the Second Due Date in relation to such PS Non-Payments and the issue of directions to the Trustee to distribute such settlements payments according to Condition 2A.6.
- (f) on the Debt Notice Date each month the calculation of the Net Debt Position and each Designated Pipe-line Operator’s Debt Entitlement and, where applicable, any Debt Payment or Debt Repayment to be charged or credited to each PS Gas Supplier and the issue to Designated Pipe-line Operators and the Authority of a notice (a “Debt Notice”) in relation to any such Debt Payment and/or Debt Repayment arising which shall contain:
  - (i) details of any PS Notified Debt and interest thereon and any Recovery to which such Debt Payments/Repayments relate;
  - (ii) details of the relevant Designated Pipe-line Operator’s Debt Entitlement;
  - (iii) particulars of the Debt Payment or Debt Repayment to be charged or credited to each PS Gas Supplier;
  - (iv) sufficient information concerning the Total Monthly Payments and Auxiliary Payments in any period relevant to the calculation of Debt Payment or Debt Repayment to permit verification of the calculations of Debt Payment or Debt Repayment in the Debt Notice.
- (g) the calculation of the Year-End Postalised Charges and any Capacity Reconciliation Payments and Commodity Reconciliation Payments applicable to each PS Gas Supplier in accordance with the provisions of Condition



2A.2.6.3 and Condition 2A.2.6.4; and the notification of the results of all such calculations to all Designated Pipe-line Operators and to the Authority no later than the 1st Business Day in December after the end of each Gas Year;

- (h) the calculation as soon as reasonably practicable, and within 5 Business Days of receipt of all relevant information in accordance with Condition 2A.6.1.3 of the Year-End Amount, if any, to be paid by or to each of the Designated Pipe-line Operators in respect of the previous Gas Year;
- (i) the calculation of upstream tariffs as required under the terms of Designated Pipe-line Operators' licences and notification to the respective Designated Pipe-line Operator and the Authority, no later than the 20 Business Day in April;
- (j) on or before the 5th Business Day following each Due Date the calculation in respect of each Designated Pipe-line Operator of the applicable Monthly Postalised Entitlements and Monthly Distributions in respect of the relevant month; and the issue of appropriate directions to the Trustee for the purpose of implementing Condition 2A.6 so that any such Monthly Distributions are made to Designated Pipe-line Operators as soon as possible and at least within 7 Business Days of the Due Date;
- (k) calculation of any additional sums due by way of Monthly Distribution in respect of any sum received into the PoT Account after the issue of instructions to the Trustee in accordance with (j) above and before the next Debt Notice Date;
- (l) following the end of each Gas Year, the calculation, recording and notification to the Authority and the Designated Pipe-Line Operators not later than the 10th Business Day in December of the next Gas Year of the amount of any Commodity Reconciliation Payments which would have been payable by each PS Gas Supplier in respect of each Gas Year but for the application of the 15%  $\Sigma MPComPst$  cap contained in Condition 2A.2.6.4(e). Such amounts in respect of each Gas Year and each PS Gas Supplier shall be defined as the "Unrecovered Postalisation Payments" ("UNRPt") and shall be calculated in accordance with the following formula:

$$\text{UNRPt} = (\text{YEPComCt} - \text{FPComCt}) \times \text{PS Annual Exit Quantity} - \Sigma\text{ComRPt}$$

where  $\Sigma\text{ComRPt}$  is equal to all Commodity Reconciliation Payments as determined under Condition 2A.2.6.4 (e) in Gas Year “t”

- (m) the re-calculation of the Forecast Postalised Charges as required under Condition 2A 2.5.2 and Condition 2A.2.5.3 within three Business Days of receipt of adjusted figures from the Authority.
- (n) The division of any amounts in respect of Termination Payments received into the PoT Account:
  - (aa) between Designated Pipe-Line Operators where two or more Designated Pipe-line Operators have invoiced such payments to the same PS Gas Supplier in the same month, in proportion to the relevant invoices;
  - (bb) between that part of Termination Payments payable in respect of PS Transmission Charges relating to the Gas Year in which termination occurs and that part of Termination Payments related to future Gas Years, the allocation to be made in such a way that:
    - (i) Termination Payments shall be applied first in respect of sums due in respect of PS Transmission Charges in the Gas Year in which termination occurs; and
    - (ii) secondly, in respect of Termination Payments related to future Gas Years.

The PSA shall notify the Designated Pipe-line Operators of the sums allocated and issue directions to the Trustee to transfer the part of any such Termination Payment applicable to future Gas Years to the relevant Primary DPO in accordance with Condition 2A. 6.1.4.

#### 2A.4.4 PSA Agreement criteria

2A.4.4.1 The PSA Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator or PS Gas Supplier and shall:

- (a) require the PSA to fulfil the PSA Functions in a manner which is transparent and which does not unduly discriminate as between Designated Pipe-line Operators or PS Gas Suppliers;
- (b) require the PSA to institute appropriate arrangements and procedures to enable the PSA to fulfil the PSA Functions in an efficient and economic manner;
- (c) make provision for the modification of the PSA Agreement, in the following circumstances only:
  - i. with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the PSA Agreement of its objection to such modification and the grounds for such objection within 4 weeks of its receipt of full written details of the proposed modification, together with any further relevant information requested by the Authority); or
  - ii. in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence, following consultation with the Designated Pipe-line Operators;
- (d) provide for its termination in the event that any approval granted by the Authority pursuant to Condition 2A.4.2.2 is revoked;
- (e) require the PSA to co-operate with the Authority including without limitation by the sharing of information, both generally and to enable the Authority as far as is reasonably practicable to monitor whether the PSA is continuing to fulfil the PSA Functions in an efficient and economic manner;
- (f) require the PSA to perform its functions promptly and diligently with reasonable skill and care, and in conformity with all applicable laws, rules and regulations;

- (g) require the PSA to perform all calculations in accordance with any financial model approved by the Authority from time to time following consultation by the Authority with the Designated Pipe-Line Operators;
- (h) require the Licensee to co-operate with the PSA, such co-operation to include but not be limited to providing the PSA and other Designated Pipe-line Operators with such information as is at the Licensee's disposal and which would facilitate the operation of the system of postalised charges in respect of the Postalised System, provided that the Licensee shall not be required to provide to another Designated Pipe-line Operator confidential information, the provision of which would, or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator; and
- (i) subject to Condition 2A.4.1.2 provide that, except with the consent of the Authority, the Licensee shall not terminate the PSA Agreement until such time as a new PSA has been appointed under a PSA Agreement conforming with all the requirements under this Condition 2A.4.

#### 2A.4.5 Licensee's obligations in relation to the PSA

##### 2A.4.5.1 The Licensee shall:

- (a) promptly after becoming aware thereof, notify the Authority of any material or persistent breach of any obligation by any party under the PSA Agreement;
- (b) take all reasonable steps to enforce the obligations of the parties to the PSA Agreement whenever required, or whenever so directed by the Authority by written notice, and in accordance with the terms of the direction;
- (c) not knowingly waive any right under the PSA Agreement without the prior written consent of the Authority;
- (d) comply with its obligations under the PSA Agreement;
- (e) exercise its rights to terminate the PSA Agreement whenever directed by the Authority by written notice;

- (f) immediately notify the Authority if any party to the PSA Agreement, terminates or gives notice to terminate the PSA Agreement;
- (g) use its reasonable endeavours to procure that the PSA performs its functions promptly and diligently, with reasonable skill and care, and in conformity with all applicable laws, rules and regulations and in accordance with generally accepted best accounting practice; and
- (h) provide the PSA promptly with any information it requires to perform the PSA Functions including copies of all PS Transmission Payment invoices as soon as reasonably practicable, and is at the Licensee's disposal and which would facilitate operation of the system of postalised charges in respect of the Postalised System.

## **Condition 2A.5 – The Trustee**

2A.5.1 The Trustee’s and Account Bank’s primary obligations

2A.5.1.1 Subject to Condition 2A.5.1.2, unless the Authority otherwise directs or consents, the Licensee shall do all things within its power to:

(a) enter into, before such date as is appointed by the Authority; and

(b) be party at all times thereafter to

arrangements whereby

(i) a person who fulfils the criteria set out in Condition 2A.5.2.1 (referred to as the “Trustee”) carries out the activities specified in Condition 2A.5.3 pursuant to an agreement between the Trustee and the Designated Pipe-line Operators which fulfils the criteria referred to in Condition 2A.5.3 and 2A.5.4 (referred to as the “Trust and Account Bank Agreement”) and which has been and remains approved by the Authority; and

(ii) a person who fulfils the criteria set out in Condition 2A.5.2.2. (referred to as the “Account Bank”) provides an account for use as the PoT Account pursuant to the Trust and Account Bank Agreement and which has been and remains approved by the Authority.

2A.5.1.2 The Licensee shall only be entitled to terminate the Trust and Account Bank Agreement without the Authority’s prior written consent if the Trustee and/or the Account Bank is or becomes insolvent; if in the reasonable opinion of the Designated Pipe-Line Operators, the Trustee and/or the Account Bank commits a material breach of the terms or warranties of the Trust and Account Bank Agreement; or if any approval given by the Authority under Condition 2A.5.2.3 expires or is revoked.

2A.5.1.3 Unless the Authority otherwise consents if the Licensee fails to enter into the arrangements referred to in Condition 2A.5.1.1 above by the date required by that Condition the Licensee shall use its best endeavours to enter into such arrangements as soon as possible thereafter.

2A.5.2 Criteria for appointment of the Trustee

- 2A.5.2.1 The person fulfilling the functions of Trustee from time to time pursuant to this Condition 2A.5 shall:
- (a) be a competent, fit and proper person to fulfil the Trustee Functions having the systems and controls in place to fulfil those functions; and
  - (b) have sufficient suitably qualified and skilled personnel to enable it to perform the Trustee Functions.
- 2A.5.2.2 The person fulfilling the functions of Account Bank from time to time pursuant to this Condition 2A.5 shall:
- (a) be a competent, fit and proper person to provide and administer the PoT Account having the systems and controls in place to fulfil those functions; and
  - (b) have sufficient suitably qualified and skilled personnel to enable it to provide and administer the PoT Account.
- 2A.5.2.3 The criteria specified in Conditions 2A.5.2.1 and 2A.5.2.2 shall be treated as satisfied in respect of any appointment if the Licensee appoints as the Trustee and/or the Account Bank, as appropriate, a person who at the time of appointment is a person approved by the Authority for the purposes of this Condition and if that approval has not expired or been revoked.
- 2A.5.3 The Trustee's functions
- 2A.5.3.1 The Trust and Account Bank Agreement shall, in accordance with Condition 2A.5.1.1, impose on the Trustee the following functions (referred to as the "Trustee Functions"):
- (a) the maintenance of a bank account (the "PoT Account") into which all monies paid by PS Gas Suppliers in respect of PS Transmission Payments shall be received, held on trust for and distributed to the Licensee and the other Designated Pipe-line Operators at the intervals and in accordance with the instructions of the PSA;
  - (b) the receipt into the PoT Account and holding on trust of all monies paid by PS Gas Suppliers in discharge of PS Transmission Payments;

- (c) the distribution of monies from the PoT Account on the instructions of the PSA;  
and
- (d) providing the PSA promptly with any details concerning payments into and from the PoT Account as it may require at any time.

2A.5.4 Trust and Account Bank Agreement criteria

2A.5.4.1 The Trust and Account Bank Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator and shall:

- (a) require the Trustee to fulfil the Trustee Functions in a manner which is transparent and which does not unduly discriminate as between Designated Pipe-line Operators;
- (b) require the Trustee to institute appropriate arrangements and procedures to enable the Trustee to fulfil the Trustee Functions in an efficient and economic manner;
- (c) make provision for the modification of the Trust and Account Bank Agreement, in the following circumstances only:
  - i. with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the Trust and Account Bank Agreement of its objection to such modification and the grounds for such objection within 4 weeks of its receipt of full written details of the proposed modification); or
  - ii. in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence following consultation with the Designated Pipe-line Operators;
- (d) provide for its termination in the event that any approval granted by the Authority pursuant to Condition 2A.5.2.3 is revoked;
- (e) require the Trustee to co-operate with the Authority including without limitation by the sharing of information, both generally and to enable the



Authority as far as is reasonably practicable to monitor whether the Trustee is continuing to fulfil the Trustee Functions;

- (f) require the Trustee to perform its functions promptly and diligently with reasonable skill and care, and in conformity with all applicable laws, rules and regulations;
- (g) require the Licensee to co-operate with the Trustee: such co-operation shall include but not be limited to providing the Trustee and other Designated Pipe-line Operators with such information as is at the Licensee's disposal which would facilitate the operation of the system of postalised charges in respect of the Postalised System provided that the Licensee shall not be required to provide to another Designated Pipe-line Operator confidential information, the provision of which would, or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator;
- (h) subject to Condition 2A.5.1.2, provide that, except with the consent of the Authority, the Licensee shall not terminate the Trust and Bank Agreement until such time as a new Trustee has been appointed under a Trust and Bank Agreement conforming with all the requirements under this Condition 2A.5; and
- (i) require the parties thereto to ensure at all times that the terms and conditions of the Trust and Account Bank Agreement comply with the terms of the Licence.

2A.5.5 Licensee's obligations in relation to the Trustee

2A.5.5.1 The Licensee shall:

- (a) promptly after becoming aware thereof notify the Authority of any material or persistent breach of any obligation by any party under the Trust and Account Bank Agreement;
- (b) take all reasonable steps to enforce the obligations of the parties to the Trust and Account Bank Agreement whenever required, or whenever so directed by the Authority by written notice, and in accordance with the terms of the direction;

- (c) not knowingly waive any right under the Trust and Account Bank Agreement without the prior written consent of the Authority;
- (d) comply with its obligations under the Trust and Account Bank Agreement;
- (e) exercise its rights to terminate the Trust and Account Bank Agreement whenever directed by the Authority by written notice;
- (f) immediately notify the Authority if any party to the Trust and Account Bank Agreement, terminates or gives notice to terminate the Trust and Account Bank Agreement; and
- (g) use its reasonable endeavours to procure that the Trustee performs its functions promptly and diligently, with reasonable skill and care, and in conformity with all applicable laws, rules and regulations.

**Condition 2A.6 – Distributions from the PoT Account and Designated Pipe-line Operators Agreement**

2A.6.1 PoT Account Calculations – Entitlements, Distributions and Payments

2A.6.1.1 The following shall be calculated in accordance with the provisions of this Condition 2A.6.1:

- (a) the monthly entitlement of the Licensee to sums from the PoT Account calculated on the basis of amounts receivable in respect of Monthly Postalised Payments, Auxiliary Payments, Termination Payments and Debt Payments;
- (b) the Year-End Amount if any due to or from the Licensee; and
- (c) the amount to be distributed to the Licensee from the PoT Account on a monthly basis in respect of (a) and (b) above.

2A.6.1.2 Monthly Entitlements

(a) Monthly Postalised Entitlement

The Monthly Postalised Entitlement (“MPEL<sub>m</sub>”) of Licensee “L” in respect of a month “m” shall be the lower of the following:

$$(i) \quad (TMPT_m + DPI_m) \times \frac{FRRL_t}{PSFRRL_t}$$

and

$$(ii) \quad FRRL_t + ADPIL_t - AMPEL_t$$

Where:

$TMPT_m$  = the aggregate (excluding any VAT on all such amounts) of:

- (aa) all Monthly Postalised Payments payable into the PoT Account, which:

- (1) have their Due Date falling in month “m”; and

(2) are payable in respect of Postalised System transmission services provided in month “m-2”, being the month in which gas flowed and the invoice for which was issued in month “m-1”; plus

(bb) any Auxiliary Payments payable into the PoT Account which have their Due Date falling in month “m” and are payable in respect of the Gas Year “t” in which month “m-2” falls;

(cc) any Termination Payments payable in respect of PS Transmission Payments relating to Gas Year “t” in which month “m-2” falls received into the PoT Account in month “m”.

FRRLt = the Licensee’s Forecast Required Revenue in respect of the Gas Year “t” in which month “m-2” falls;

PSFRRt = PS Forecast Required Revenue in respect of the Gas Year “t” in which month “m-2” falls;

AMPELt = the aggregate Monthly Postalised Entitlements of the Licensee in respect of prior months in the Gas Year “t” in which month “m-2” falls;

DPI<sub>m</sub> = any interest paid on payments relating to Total Monthly Payments in month “m” received after the Due Date and before or on the Second Due Date; and

ADPILt =  $\sum \text{DPI}_{mt} \times \text{FRRLt}$

PSFRRt

(b) Debt Entitlement

The Debt Entitlement (“DEL”) of Licensee “L” calculated on a rolling monthly basis shall be its proportionate entitlement to Debt Payments, comprising:

- (i) its entitlement to outstanding Total Monthly Payments for services provided during a Gas Year and outstanding Debt Payments representing unpaid Total Monthly Payments relating to that Gas Year, in each case calculated by reference to the Licensee’s Forecast Required Revenue as a proportion of PS Forecast Required Revenue; plus
- (ii) its entitlement to debt incurred in respect of Year-End Amounts calculated by reference to the Licensee’s Year-End Amounts due to it as a proportion of the sum of all PS Year-End Amounts that are positive.

calculated as:

$$\text{DEL} = [(\text{ShortfallL} - \text{DPEL})/(\text{PSShortfall}-\text{PSDPE})]* (\text{DPm} + \text{DPID})$$

where:

DPEL = the aggregate of all Debt Entitlements of the Licensee in respect of previous months excluding the interest element, Z.

PSDPE = the aggregate of all Debt Entitlement amounts for all Designated Pipeline Operators under their Respective Licences in respect of previous months excluding the interest element, Z.

ShortfallL = AEL – ADL in all previous months in Gas Years commencing on or after the Designation Date in respect of each Designated Pipe-line Operator;

PSShortfall = the aggregate all Shortfall amounts for all Designated Pipe-line Operators under their Respective Licence;.

AEL = the aggregate of all entitlement amounts for the Licensee in respect of all previous months in Gas Years commencing on or after the Designation Date.

ADL = the aggregate of all distribution amounts for the Licensee in respect of all previous months in Gas Years commencing on or after the Designation Date.

DPm = the total charges payable by PS Gas Suppliers due in month “m” in respect of PS Notified Debt as contemplated by Condition 2A.3.4.1 and as detailed in the applicable Debt Notice;

DPIDm = Any interest paid on payments relating to Debt Payments in month “m” received after the Due Date and before or on the Second Due Date.

(c) Termination Entitlement

The Termination Entitlement (“TEL”) of Licensee “L” in relation to Termination Payments received into the PoT Account from Gas Suppliers to which the Licensee is the Primary DPO, with respect to future Gas Years as calculated by the PSA according to Condition 2A.4.3.1(n).

2A.6.1.3 Year-End Amounts – Calculation of Entitlement/Obligation

- (a) A year-end amount (“Year-End Amount” or “YEALt”) in respect of that Gas Year shall be calculated in accordance with the following formula, in relation to which if YEALt is a negative figure, the Licensee shall be obliged to make payment into the PoT Account of the amount of such figure within 25 Business Days of the date that it receives notice from the PSA of the relevant amount, and if YEALt is a positive figure, the Licensee shall be entitled to receive the amount of the Year-End Amount from the PoT Account:

$$YEALt = (ARRLt \times (PSTMPTt + \sum DPImt + RPTotal + DPIRt)) - AMPELt \text{ PSARRt}$$

Where:

YEALt = Year-End Amount in respect of Gas Year “t” and Licensee “L”;

ARRLt = the Licensee's Actual Required Revenue in respect of Gas Year "t";

PSARRt = the PS Actual Required Revenue in respect of Gas Year "t";

PSTMPTt = the aggregate of TMPTm as calculated in Condition 2A.6.1.2 (a) in respect of all the months falling within Gas Year "t";

RPTotal = the aggregate of all Capacity Reconciliation Payments and Commodity Reconciliation Payments, each in respect of Gas Year "t" and receivable from PS Gas Suppliers; and

AMPELt = the aggregate of Monthly Postalised Entitlements of the Licensee in respect of Gas Year "t".

DPIRt = any interest paid on payments relating to Reconciliation Payments received after the Due Date and before or on the Second Due Date falling in month "m".

$\sum \text{DPI}_{mt}$  = the aggregate amount of interest paid on payments relating to Total Monthly Payments for Gas Year "t" payable in any month "m" received after the Due Date and before or on the Second Due Date.

#### 2A.6.1.4 Monthly Distributions

The amount of the distribution to be made to the Licensee from the PoT Account in any month (the "Monthly Distribution") shall be calculated by the PSA on the basis of the balance of monies in the PoT Account, net of any amounts in the PoT account as a result of any requirement to maintain a minimum account balance and any interest earned on the PoT account balance, on the date of calculation of the Monthly Distribution in the relevant month (month "m") (such balance of monies on the PoT Account at that date being referred to below as "W"). The Licensee shall be entitled to receive by way of Monthly Distribution an amount equal to the sum of each of DA1L, DA2L, DA3L, DA4L, DA5L and DA6L calculated as follows:

(a) VAT Distributions

$$DA1L = VATL$$

where:

VATL = the aggregate amount of VAT Distributions for the Licensee as calculated by the PSA according to Condition 2A4.3.1 (d)

(b) Distribution to enable Licensee to fulfil obligation to reimburse Gas Suppliers

Where the Licensee is obliged to reimburse any sum to one or more of its Gas Suppliers in accordance with this Part 2A of the Licence and the Network Code then DA2L shall be a sum equal to GSR provided that if no such payment is payable by the Licensee to any of its Gas Suppliers in the relevant month DA2L shall be zero.

Where:

GSR = the aggregate amounts that the Licensee is required to reimburse to its Gas Suppliers in relation to PS Transmission Payments in accordance with this Part 2A of the Licence and the Network Code;

(c) Year-End Amount Distributions

In the month following a month in which Reconciliation Payments have been invoiced to one or more PS Gas Suppliers a distribution in respect of Year-End Entitlement DA3L shall be calculated as follows:

$$(i) \quad \text{If } W - PSDA1 - PSDA2 \geq PSYEA$$

then DA3L shall be a sum equal to YEAL<sub>t</sub>; or

$$(ii) \quad \text{If } W - PSDA1 - PSDA2 < PSYEA$$

then DA3L shall be calculated as follows:

$$DA3L = (W - PSDA1 - PSDA2) \times \frac{YEAL_t}{PSYEA}$$

Provided that if YEAL is a negative figure then DA3L shall be zero.



where:

$W$  = the balance of monies in the PoT Account, net of any amounts in the PoT Account as a result of any requirement to maintain a minimum account balance and any interest earned on the PoT Account balance

$PSDA1$  = the aggregate of all DA1L figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

$PSDA2$  = the aggregate of all DA2L figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

$YEAL_t$  = the Year-End Amount calculated in accordance with Condition 2 A.6.1.3;

$PSYEA$  = the aggregate of all positive Year-End Amounts for all Designated Pipe-line Operators under their Respective Licences;

(d) Monthly Postalisation Distributions

(i) If  $W - PSDA1 - PSDA2 - PSDA3 \geq PSMPE$

then DA4L shall be an amount equal to MPEL; or

(ii) If  $W - PSDA1 - PSDA2 - PSDA3 < PSMPE$

then DA4L shall be calculated as follows:

$$DA4L = (W - PSDA1 - PSDA2 - PSDA3) \times \frac{MPEL_m}{PSMPE}$$

PSMPE

where:

$PSDA1$  = the aggregate of all DA1L figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

$PSDA2$  = the aggregate of all DA2L figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

PSDA3 = the aggregate of all DA3L figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

MPEL<sub>m</sub> = the Monthly Postalised Entitlement of the Licensee calculated in accordance with Condition 2A.6.1.2(a) above;

PSMPE = the aggregate of all Monthly Postalised Entitlement figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

(e) Termination Distributions

(i) If  $W - \text{PSDA1} - \text{PSDA2} - \text{PSDA3} - \text{PSDA4} \geq \text{PSTE}$

then DA5L shall be a sum equal to TEL; or

(ii) If  $W - \text{PSDA1} - \text{PSDA2} - \text{PSDA3} - \text{PSDA4} < \text{PSTE}$

then DA5L shall be calculated as follows:

$$\text{DA5L} = (W - \text{PSDA1} - \text{PSDA2} - \text{PSDA3} - \text{PSDA4}) \times \frac{\text{TEL}_m}{\text{PSTE}}$$

where:

PSDA1 = the aggregate of all DA1L figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

PSDA2 = the aggregate of all DA2L figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

PSDA3 = the aggregate of all DA3L figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

PSDA4 = the aggregate of all DA4L figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

TEL<sub>m</sub> = the amount, if any, payable to the Licensee in respect of Termination Payments received into the PoT Account under the Network Code in month “m” which relate to Gas Years after the Gas

Year in which termination occurs as calculated by the PSA under Condition 2A4.3.1 (n); and

PSDE =the aggregate of all TELm figures for all Designated Pipe-line Operators under their Respective Licences for month “m”.

(f) Monthly Debt Payment Distributions

(i) If  $W - \text{PSDA1} - \text{PSDA2} - \text{PSDA3} - \text{PSDA4} - \text{PSDA5} \geq \text{PSDE}$

then DA6L shall be a sum equal to DEL; or

(ii) If  $W - \text{PSDA1} - \text{PSDA2} - \text{PSDA3} - \text{PSDA4} - \text{PSDA5} < \text{PSDE}$

then DA6L shall be calculated as follows:

$$\text{DA6L} = (W - \text{PSDA1} - \text{PSDA2} - \text{PSDA3} - \text{PSDA4} - \text{PSDA5}) \times \frac{\text{DELm}}{\text{PSDE}}$$

where:

PSDA1 =the aggregate of all DA1L figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

PSDA2 =the aggregate of all DA2L figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

PSDA3 =the aggregate of all DA3L figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

PSDA4 =the aggregate of all DA4L figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

PSDA5 =the aggregate of all DA5L figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

DELm =the Debt Entitlement of the Licensee “L” for month “m” calculated in accordance with Condition 2A.6.1.2(b) above;

PSDE =the aggregate of all Debt Entitlement figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

## 2A.6.2 Inter-Designated Pipeline Operators Provisions

### 2A.6.2.1 Designated Pipe-line Operators Agreement

Unless the Authority otherwise consents, the Licensee shall on or before a date appointed by the Authority enter into and be a party at all times thereafter to a binding agreement with the other Designated Pipe-line Operators which complies with the criteria specified in Condition 2A.6.2.2 and which is in a form approved in advance by the Authority pursuant to which it will:

- (a) act together with the other Designated Pipe-line Operators to appoint and re-appoint the PSA from time to time;
- (b) establish the PoT Account and appoint and re-appoint the Trustee and/or the Account Bank from time to time;
- (c) in conjunction with other Designated Pipe-line Operators, enforce the PSA Agreement and the Trust and Account Bank Agreement; and
- (d) undertake to the other Designated Pipe-line Operators (in consideration of equivalent undertakings) to issue invoices promptly and accurately, and to give effect to common payment terms and credit arrangements,

and which will contain such other provisions for the efficient operation of a system of PS Transmission Payments as the Designated Pipe-line Operators may agree and the Authority may approve (the “Designated Pipe-line Operators Agreement”).

#### 2A.6.2.2 Designated Pipe-line Operators' Agreement Criteria

- (a) The Designated Pipe-line Operators' Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator or PS Gas Supplier and shall:
  - (i) ensure the PSA, the Trustee and the Account Bank institute appropriate arrangements and procedures to enable the PSA to fulfil the PSA Functions and the Trustee to fulfil the Trustee Functions in an efficient and economic manner;
  - (ii) make provision for the modification of the Designated Pipe-line Operators Agreement in the following circumstances only:
    - (aa) with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the Designated Pipe-line Operators Agreement of its objection to such modification and the grounds for such objection within 8 weeks of its receipt of full written details of the proposed modification); and
    - (bb) in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence, following consultation with the Designated Pipe-line Operators.
- (b) The Designated Pipe-line Operators' Agreement shall include an obligation on the Licensee to co-operate with the other Designated Pipe-line Operators. Such co-operation shall include but not be limited to providing the PSA and other Designated Pipe-line Operators with such information as is at the Licensee's disposal (other than confidential information the provision of which would or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator) and which would facilitate the operation of a system of PS Transmission Payments in respect of the Postalised System.

**Condition 2A.7 – New Licence Requirements relating to the Network Code**

- 2A.7.1 At any time when, and to the extent that, a Designation Order is and remains in force in respect of all or part of the Network the following provisions shall apply in relation to the Licensee's obligation to establish and implement procedures for the modification of its Network Code.
- 2A.7.2 The relevant objective, the achievement of which is to be facilitated by the Licensee's Network Code, shall include the operation of efficient and economic arrangements for a system of common tariffs in respect of the Licensee's Designated Network and the Designated Network (as such term is defined in the licence of each other Designated Pipe-line Operator) of all other Designated Pipe-line Operators.
- 2A.7.3 The procedures which the Licensee is required to establish and implement for the modification of the Network Code shall provide:-
- (a) for all other Designated Pipe-line Operators and PS Gas Suppliers to be consulted by the Licensee in relation to any modification of the Network Code proposed by the Licensee or any other party entitled to raise such proposals;
  - (b) for all other Designated Pipe-line Operators and PS Gas Suppliers to be notified as soon as possible of any proposed modification put forward by the Authority or by any PS Gas Supplier;
  - (c) that in proposing or reporting on any modification, the Licensee shall have regard to the impact that such modification might have on the operation of any other Designated Pipe-line Operator's network code; and
  - (d) where appropriate, for joint reports to be prepared.
- 2A.7.4 The Licensee shall consult all other Designated Pipe-line Operators and the PS Gas Suppliers before proposing any modification to the modification rules.

## **PART 3 – THE SPECIAL CONDITIONS**

### **Condition 3.1 – Allowed Revenue Determination**

#### **3.1.1 General**

- (a) Without prejudice to any other provisions of the Licence, the Authority shall be entitled on reasonable prior notice to inspect those records of the Licensee reasonably sufficient to enable it to satisfy itself as to the matters which are the subject of this Condition 3.1.
- (b) The Licensee shall in submitting or calculating any forecasts or estimates required to be submitted or calculated under this Condition 3.1 or under the Authority Direction (as defined in Condition 3.1.7.1) use all reasonable endeavours to ensure that it submits or calculates the best forecasts or estimates reasonably achievable, based on the most comprehensive, current information obtainable at the time of submission or calculation.
- (c) Save where this Condition 3.1 otherwise provides, words and expressions used in this Condition 3.1 which are defined elsewhere in the Licence or in the Authority Direction, shall have the meaning given to them elsewhere in the Licence or in the Authority Direction (as the case may be).

#### **3.1.2 Allowed revenue recovery during period of designation**

- (a) In respect of any Gas Year (other than, in the case of (i) below, the Gas Year which commenced on 1<sup>st</sup> October 2004) for so long as a Designation Order is and remains in force in respect of all or any part of the Network, the Licensee shall ensure that:
  - (i) its Forecast Required Revenue to be notified to the Authority and the PSA in accordance with Conditions 3.1.2(b) and 3.1.2(d) shall be calculated in accordance with Condition 3.1.3; and

- (ii) its Actual Required Revenue to be notified to the Authority and the PSA in accordance with Condition 3.1.2(e) shall be calculated in accordance with the formula set out in Condition 3.1.4.
- (b) No later than the fifteenth Business Day in March in each Gas Year, the Licensee shall provide to the Authority its calculation of Forecast Required Revenue for the next Gas Year and the following four Gas Years together with such explanation and supporting information as the Licensee considers to be reasonably necessary to permit the Authority to be satisfied that the Forecast Required Revenue is a reasonable forecast in accordance with Condition 3.1.1(b).
- (c) If, by not later than the fifth business day in April the Authority, having considered the Licensee's forecast in light of such information as may be submitted by the Licensee, notifies the Licensee, by notice accompanied by an explanation of its conclusions, that it considers that the forecast supplied is not a reasonable forecast of the Licensee's Forecast Required Revenue for the next Gas Year, the Licensee shall review the forecast in the light of the Authority's explanation and submit a revised forecast to the Authority no later than the fifteenth Business Day of April, which, for the avoidance of doubt, may be the same as the original forecast.
- (d) No later than the fifteenth Business Day in April in each Gas Year the Licensee shall provide to the PSA its calculation of Forecast Required Revenue, pursuant to Condition 3.1.2(b), with any variation made thereto pursuant to Condition 3.1.2(c), in respect of the next Gas Year and the following four Gas Years for the purpose of calculation of the Forecast Postalised Charges in accordance with Part 2A of the Licence.
- (e) No later than the tenth Business Day in November after the end of each Gas Year the Licensee shall provide to the Authority and to the PSA its calculation of Actual Required Revenue and shall, at the same time, provide to the Authority such explanations and supporting information as may be



reasonably necessary to permit the Authority to verify that the Actual Required Revenue has been calculated in accordance with the formula set out in Condition 3.1.4.

- (f) No later than ten Business Days after the end of each Quarter, the Licensee shall provide the Authority, other Designated Pipeline Operators and all PS Gas Suppliers with a report setting out any material change to the Licensee's forecast of the revenue it requires comprised in its Forecast Required Revenue for the Gas Year in which the Quarter falls.

### 3.1.3 The Forecast Required Revenue

- (a) The Forecast Required Revenue of the Licensee in respect of the Gas Year which commenced on 1 October 2004 shall be an amount to be determined by the Authority and notified to the Licensee on or before the date that the Licence comes into full force and effect.
- (b) The Forecast Required Revenue of the Licensee in respect of each subsequent Gas Year<sub>t</sub> (other than any Gas Year which is a Post Finance Gas Year) shall be:
  - (i) the Licensee's forecast of (aa) (bb) and (cc) below, namely:-
    - (aa) the Fixed Amount for such Gas Year<sub>t</sub> (which is represented by the term  $A_t$  in the formula set out in Condition 3.1.4(b)) plus
    - (bb) the amount of the Eligible Pass-Through Costs for such Gas Year<sub>t</sub> (which is represented by the term  $B_t$  in the formula set out in Condition 3.1.4(b)); plus
    - (cc) the Postalisation Adjustment for such Gas Year<sub>t</sub> (which is represented by the term  $C_t$  in the formula set out in Condition 3.1.4(b))

Minus

- (ii) the Licensee's forecast of (dd), (ee), (ff) and (hh) below, namely:-

- (dd) the Ratio Account Credit for such Gas Year<sub>t</sub> (which is represented by the term D<sub>t</sub> in the formula set out in Condition 3.1.4(b)); plus
- (ee) the Insurance Recoveries for such Gas Year<sub>t</sub> (which is represented by the term E<sub>t</sub> in the formula set out in Condition 3.1.4(b)); plus
- (ff) the UC Revenues for such Gas Year<sub>t</sub> derived from charges calculated in accordance with Condition 3.1.8 (which is represented by the term F<sub>t</sub> in the formula set out in Condition 3.1.4(b)); plus
- (hh) the Licensee OS Revenues Share for such Gas Year (which is represented by the term H<sub>t</sub> in the formula set out in Condition 3.1.4(b)).

#### 3.1.4 Actual Required Revenue

- (a) The Licensee's Actual Required Revenue (ARR<sub>t</sub>) for any Gas Year shall be the amount determined in accordance with the formula set out in Condition 3.1.4(b) for such Gas Year.
- (b) The formula for the calculation of the Licensee's Actual Required Revenue is as follows, namely:-

$$ARR_t = (A_t + B_t + C_t + Z * (S_t)) - (D_t + E_t + F_t + H_t).$$

#### 3.1.5 Definition of Formula Terms

As used in the formula in Condition 3.1.4 and elsewhere in this Condition 3.1:-

t = denotes a Gas Year;

t-1 = denotes the Gas Year which immediately precedes the Gas Year for the purposes of which any forecast or calculation is made in accordance

with this Condition 3.1 (and the subscript t-2 shall be construed accordingly);

$A_t$  = in respect of any Gas Year, the Fixed Amount for such Gas Year;

$B_t$  = in respect of any Gas Year, the Eligible Pass-Through Costs for such Gas Year;

$C_t$  = in respect of any Gas Year, the Postalisation Adjustment for such Gas Year;

$S_t$  = in respect of any Gas Year, the Approved Surplus determined by the Authority in accordance with Condition 3.1.6 and notified by the Authority to the Licensee on or before the eighth Business Day in November following the end of such Gas Year;

$Z_t$  = in respect of any Gas Year, a factor between 0 to 1, as determined by the Authority for such Gas Year and notified by the Authority to the Licensee on or before the eighth Business Day in November following the end of such Gas Year; and

(a) the part of  $S_t$  which is not attributable to the value ascribed to that term by the  $H_t$  term embodied in the formula in Condition 3.1.6 a factor between 0 to 1, as determined by the Authority for such Gas Year and notified by the Authority to the Licensee on or before the eighth Business Day in November following the end of such Gas Year; and

(b) the part of  $S_t$  which is attributable to the value ascribed to that term by the  $H_t$  term embodied in the formula in Condition 3.1.6, a factor equal to 1;

$D_t$  = in respect of any Gas Year, the Ratio Account Credit for such Gas Year;

$E_t$  = in respect of any Gas Year, the Insurance Recoveries for such Gas Year;

$F_t$  = in respect of any Gas Year, the UC Revenues for such Gas Year.

$H_t$  = in respect of any Gas Year, the Licensee OS Revenues Share for such Gas Year.

### 3.1.6 Approved Surplus Determination

**(a) The formula for the calculation of the Approved Surplus in any Gas Year shall be as follows, namely:**

$$S_t = (BCO_t - ACO_t) + ARF_{t+} H_t$$

If  $S_t$  is less than zero, it shall be deemed to be zero.

$BCO_t =$  the amount determined  
in accordance with Condition 3.1.6 (b) for Gas Year  $t$

$ACO_t =$  the amount determined  
in accordance with Condition 3.1.6(c) for Gas Year  $t$

and where  $ARF_t = \sum_{i=3}^1 [(BCO_{t-i} - ACO_{t-i}) - (Z_{t-i} * S_{t-i})]$

where  $i$  is each Gas Year in the period of the three previous Gas Years before Gas Year  $t$

and;

where  $H_t$  is the Licensee OS Revenues Share for such Gas Year, as calculated in accordance with the relevant provisions of the OS Scheme.

For the avoidance of doubt  $S_t$  for Gas Year 2004/05 shall equal zero

**(b) Determination of BCO**

(i) The Licensee may at any time and shall no later than:

(aa) the first Business Day of July 2005; and

(bb) no later than 15 months prior to each subsequent Review Date (or such alternative date as may be determined by the Authority and notified to the Licensee in writing),

submit to the Authority, an estimate of its Controllable Operational Expenditure and an estimate of its Uncontrollable Operational Expenditure for each of the next five Gas Years. The format of the submission will be set out in the Regulatory Instructions and Guidance (“**RIGs**”) published by the Authority pursuant to Condition 1.21.

The licensee must also submit such explanation and supporting information as the Licensee considers to be reasonably necessary to permit the Authority to verify that such estimates are reasonable estimates in accordance with Condition 3.1.1(b).

- (ii) The Licensee shall provide such further information or explanation and access to documents and records as the Authority reasonably requires for the purpose of verifying both the Controllable Operational Expenditure estimates and the Uncontrollable Operating Expenditure Estimates (including, without limitation, all figures, costs, estimates and assumptions comprised in or underlying those estimates) in accordance with Condition 3.1.6(b)(i).
- (iii) The Authority shall, following its verification of the Controllable Operational Expenditure estimates in accordance with Condition 3.1.6(b)(i), notify to the Licensee the amount of BCO (being the sum of the amount of each item of Controllable Operational Expenditure determined to be reasonable by the Authority) that it considers appropriate for each of the next five Gas Years.

The Authority shall provide details of any changes that it has made to the Licensee's estimates of the Controllable Operational Expenditure and Uncontrollable Operating Expenditure and the reasons for them and give the Licensee an appropriate period (being not less than 28 days) to comment on them.

- (iv) After consideration of the Licensee's comments referred to in Condition 3.1.6(b)(iii), the Authority shall notify the Licensee in writing of its determination of the amount of BCO for each of the next five Gas Years, which, for the avoidance of doubt, may be the same as the amount that the Authority notified to the Licensee in accordance with Condition 3.1.6(b)(iii).

## Revision of BCO

- (v) The Authority may, following a written request from the Licensee to review BCO for any Gas Year, provided that, if such a request is made in respect of the current Gas Year, such request is submitted before 31<sup>st</sup> of August in that Gas Year, to take into consideration any fact or matter that has arisen following the Authority's determination pursuant to Condition 3.1.6(b)(iv), conduct a review of BCO for that Gas Year.

The Licensee shall provide such information and explanation and access to documents and records as the Authority reasonably requires for the purpose of conducting its review. Before making any changes to its determination of BCO, the Authority shall provide details of the changes and the reasons for them and give the Licensee an appropriate period (not being less than 28 days) to comment on them.

After consideration of the Licensee's comments, the Authority shall notify the Licensee in writing of its determination of the revised BCO for the relevant Gas Year, which, for the avoidance of doubt, may be the same as the amount that the Authority notified to the Licensee in accordance with Condition 3.1.6(b)(iv).

## (c) **Determination of ACO**

- (i) The Licensee shall, no later than the first Business Day of November following the end of each Gas Year, submit to the Authority, a statement detailing the amounts of Controllable Operational Expenditure and Uncontrollable Operating Expenditure actually incurred by the Licensee in that Gas Year. The format of the submission will be set out in the Regulatory Instructions and Guidance ("**RIGs**") published by the Authority pursuant to Condition 1.21.

- (ii) The Licensee's ACO for each Gas Year shall be the aggregate of the actual amounts of Controllable Operational Expenditure referred to in the statement submitted in accordance with Condition 3.1.6(c)(i).

**(d) Definition of "Controllable Operational Expenditure"**

For the purposes of this Condition 3.1.6, "Controllable Operational Expenditure" shall comprise those categories of expenditure that are properly within the control of the management of the Licensee, such categories to be agreed in writing between the Licensee and the Authority no later than the first Business Day of June 2005 and may be amended by the agreement of the Authority and the Licensee from time to time. In the absence of agreement between the Licensee and the Authority, the Authority shall determine the categories of expenditure that comprise Controllable Operational Expenditure and notify the Licensee of its decision in writing.

**(e) Definition of "Uncontrollable Operational Expenditure"**

For the purposes of this condition 3.1.6, "Uncontrollable operation Expenditure" means Operating Expenditure which is outside the reasonable control of the Licensee and which has therefore been included in the list of "Uncontrollable Operating Expenditure" determined as such by the Authority for the purposes of this Condition, as such list may be amended, supplemented or varied by the Authority from time to time.

**(f) Definition of "Review Date"**

- i. 1<sup>st</sup> October 2005, 1<sup>st</sup> October 2008, 1<sup>st</sup> October 2011, 1<sup>st</sup> October 2014, 1<sup>st</sup> October 2017 and;
- ii. every fifth anniversary thereafter.

3.1.6A In respect of each Gas Year for which the Licensee has an obligation pursuant to the OS Scheme to make a payment during the Gas Year, the Licensee shall make such payment at the time prescribed and otherwise in accordance with the OS Scheme.

### 3.1.7 **Authority Direction and Definitions**

3.1.7.1 Words and expressions used in Condition 3.1.5 or elsewhere in this Condition 3.1 (including Fixed Amount, Eligible Pass-Through Costs, Ratio Account Credit and Insurance Recoveries and Final Repayment Date) which are not defined in the Licence shall have the meanings given to them in a direction (the "Authority Direction") issued by the Authority to the Licensee for the purposes of this Condition 3.1.7.1.

3.1.7.2 As used in this Licence:-

**“Competition and Markets Authority” or “CMA”** means the body of that name established by section 25 of the Enterprise and Regulatory Reform Act 2013.

**"UC Revenues"** means, in respect of any Gas Year, the cash amounts actually received (or in the context requires forecast to be received) by the Licensee from business upstream of the Northern Ireland high water mark in that Gas Year, in respect of the charges calculated in accordance with Condition 3.1.8 after deduction of value added tax (if any) and any other taxes based directly on the amounts so received;

**“Postalisation Adjustment”** means, in respect of any Gas Year, the aggregate (which may be positive or negative) of the amounts set out in (i), (ii) and (iii) below:

- (i) costs and expenses, losses and/or liabilities incurred or to be incurred by the Licensee in Gas Year  $t$  associated with the PSA and/or the Trustee under the agreements under which they are appointed;



- (ii) amounts due in respect of Commodity Reconciliation Payments in Gas Year  $t$ , calculated according to the following formula:

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

where:

$\text{UNRPT}_{t-2}$  = the Unrecovered Postalisation Payment as calculated by the PSA in respect of Gas Year  $t-2$ ;

$\text{CPI}_t$  = the forecast of the absolute value of the General Index of Consumer Prices – All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) for Gas Year  $t$ , as published in the preceding year's May edition of the Bank of England Inflation Report or if such index is no longer published, such alternative index as the Authority shall, after consultation with the Licensee, determine most closely reflects the General Index of Consumer Prices (1996 = 100);

$\text{CPI}_{t-2}$  = the absolute value of the General Index of Consumer Prices – All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) - for Gas Year  $t-2$ , or if such index is no longer published, such alternative index as the Authority shall, after consultation with the Licensee, determine most closely reflects the General Index of Consumer Prices – All items (1996 =100);

$\text{ARR}_{t-2}$  = the Licensee's Actual Required Revenue in respect of Gas Year  $t-2$ ;

$\text{PS ARR}_{t-2}$  = the sum of the Actual Required Revenues (as defined in the Respective Licence of each Designated Pipe-line Operator) of all Designated Pipe-line Operators in respect of Gas Year  $t-2$ ;

RE = the applicable real interest rate, which is calculated as the one year LIBOR rate, as published on the 10th Business Day of June in Gas Year  $t-1$ , plus 2% minus a CPI factor, calculated as:

$$\text{LIBOR rate \%} + 2\% - [(CPI_t / CPI_{t-1}) - 1] \times 100);$$

$CPI_{t-1}$  = the absolute value of the General Index of Consumer Prices – All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) - for Gas Year  $t-1$ , or if such index is not available the latest CPI figure published in Gas Year  $t-1$  (or if such index is no longer published, such alternative index as the Authority shall, after consultation with the Licensee, determine most closely reflects the General Index of Consumer Prices – All items (1996 =100));

(iii) such amount as the Authority may, after consultation with the Department, deem appropriate in respect of costs incurred by the Licensee in connection with approved activities in relation to the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland;

**"Bord Gais"** means Bord Gais Eireann or any other person or entity (whether or not possessing independent legal personality) which for the time being or from time to time constructs or procures the construction of and/or operates (or which represents its intentions so to do) the Bord Gais Network;

**"Bord Gais Network"** means the pipeline constructed, owned or controlled by or on behalf of Bord Gais from a point at or near Moffat to a point at or near Twynholm;

**"Licensee Predictable Operating Costs"** means costs and expenses incurred by the Licensee or any affiliate thereof in or associated with the following matters relating to the operation of the Economic Network:

- (a) inspection of the Economic Network, the Economic Network backfill material and the Economic Network route (or any parts thereof) by aerial, subsea or any other method;
- (b) on line inspection of the pipe-line interior;
- (c) measures for protection against corrosion including but not limited to the checking of and confirmation that such measures are functioning correctly;
- (d) routine testing and test operation of all valves fixtures, fittings and instrumentation comprised in the Economic Network;
- (e) routine or recommended pressure testing and certification of the Economic Network as required under legislation, standards or applicable recommendations current at February 1992;
- (f) liaison with landowners; and
- (g) all internal and overhead costs and expenses of the Licensee (whether or not containing a profit element) of or in any way associated with the performance, management, procuring, arranging or supervision of any of the items or matters referred to in paragraphs (a) to (f) of this definition. For the avoidance of doubt, such costs and expenses shall be assessed on a basis consistent with applicable external man-hour rates of charge from time to time of the Licensee,

but shall exclude any such costs or expenses relating to the Bord Gais Network; and

**"Licensee Unpredictable Operating Costs"** means

- (a) all costs and expenses which have been reasonably and properly incurred by the Licensee or any affiliate thereof in operating, repairing or maintaining the Economic Network and any land or substrata on, in, under or over which it is laid other than the Licensee Predictable Operating Costs and excluding any such costs or expenses relating to the Bord Gais Network; and
- (b) to the extent to which they constitute Licensee Unpredictable Operating Costs for the purposes of paragraph (a) of this definition, any amounts that the Network Code shall specify as constituting Licensee Unpredictable Operating Costs.

**"Predecessor Conveyance Licence"** means the licence to convey gas dated 6<sup>th</sup> September 1996 granted to the Licensee under Article 8(1) of the Order, which was revoked by the Department at the time of grant of the Licence.

**"OS Revenues"** means, in respect of any Gas Year, the net revenues received in respect of the provision of the OS Services as determined in accordance with the OS Scheme;

**"Licensee OS Revenues Share"** means, in respect of any given Gas Year, the part of the OS Revenues actually received and retained in cash by the Licensee out of the proceeds of OS Revenues, after deduction of value added tax (if any) and any other taxes payable by the Licensee on the amounts so received and in accordance with the relevant provision of the OS Scheme;

**"OS Capacity"** and **"Buy-Back Capacity"** have the meanings given to them in Condition 2A.1.1).

3.1.7.3 The Authority Direction shall not be capable of being revoked or modified without the prior written consent of the Licensee, but shall, in accordance with its terms, not have effect in relation to any Gas Year which commences on or after the Final Repayment Date.

3.1.7.4 The Licensee shall perform any obligation imposed on it by the Authority Direction.

### 3.1.8 UC Charges

The Forecast UC Commodity Charge shall be calculated by the PSA in accordance with Condition 3.1.8.1 (a) and a Forecast UC Capacity Charge shall be calculated by the PSA in accordance with Condition 3.1.8.2 (a).

#### 3.1.8.1 Forecast UC Commodity Charge

- (a) The Forecast UC Commodity Charge to be charged to each person (a “UC Gas Supplier”) shipping gas to an exit point (a “UC Exit Point”) from the Economic Network upstream of the Northern Ireland high water mark in respect of each unit of gas allocated to such UC Gas Supplier under the Network Code in respect of each UC Exit Point shall be calculated by the PSA in accordance with the following formula:

$$\text{UCComC} = \frac{[(\text{PSFRR} - \text{FRR}) + \text{FRRU}] * \text{Commodity Percentage}}{(\text{PS Forecast Annual Quantity} + \text{UC Forecast Annual Quantity})}$$

where:

FRRU = the Licensee's Forecast Required Revenue including UC Revenues, which shall be the aggregate of the Licensee's forecast of the amounts referred to in Condition 3.1.3(B)(1)(aa),(bb) and (cc) minus the Licensee's forecast of the amounts referred to in Condition 3.1.3(B)(2)(dd), (ee) and (gg)

UCComC = the Forecast UC Commodity Charge;

UC Forecast Annual Quantity = the Licensee's forecast total quantity of gas, in respect of a Gas Year which all UC Gas Suppliers will exit from UC Exit Points.

- (b) The Monthly UC Commodity Payment shall be calculated in accordance with the following formula in respect of gas allocated to each UC Gas Supplier at a UC Exit Point in respect of the previous month, the components of which shall be applied in respect of month (“m”) in Gas Year (“t”) and shall be payable by UC Gas Supplier (“s”):

$$\text{MUCComP}_s = \text{UCComC} \times \text{MUCEQ}_s$$

where:

$\text{MUCComP}_s$  = the Monthly UC Commodity Payment for UC Gas Supplier s;

$\text{UCComC}$  = the Forecast UC Commodity Charge applicable in respect of Gas Year<sub>t</sub>;

$\text{MUCEQ}_s$  = the total quantity of gas, allocated to UC Gas Supplier s in respect of a UC Exit Point in respect of month m.

### 3.1.8B OS Services at Stranraer

- (a) Notwithstanding any provision of or in (and, specifically, any definition which is set out in or is incorporated into) the OS Conditions or the OS Scheme, which might indicate to the contrary, the provisions concerning the calculation and application of charges (whether payable by or to the Licensee) for the provision of the OS Services:
- (i) shall not regulate the calculation and application of charges for any provision of OS Services which involve a UC Exit Point (as defined in Condition 3.1.8.1(a));

- (b) Charges for any provision of OS Services which relate to or involve a UC Exit Point shall be calculated and applied in accordance with the following provisions of this Condition 3.1.8B namely:
- (i) the Licensee shall charge to each UC Gas Supplier (as defined in Condition 3.1.8.1(a)) to whom it allocates OS Capacity at a UC Exit Point in respect of a given Day an amount (in respect of each kWh / day of such OS Capacity) as determined pursuant to the charging methodology statement referred to in Condition 2A.2.1.9(a);
  - (ii) the Licensee shall charge to each UC Gas Supplier, in respect of each kWh of gas which is allocated to that UC Gas Supplier at a UC Exit Point in any circumstance in which the UC Gas Supplier's entitlement to the allocation of such gas arises from the utilisation of OS Capacity, an amount equal to the UCComC (as defined in Condition 3.1.8.1(a)) which is applicable at the time of the allocation;
  - (iii) the Licensee shall pay to UC Gas Suppliers from whom the Licensee purchases Buy-Back Capacity such amounts as are determined pursuant to the charging methodology statement referred to in Condition 2A.2.1.20(c).
- (d) For the avoidance of doubt, the charges described in this Condition 3.1.8B shall, in respect of a Gas Year, not be subject to reconciliation or other adjustment on any ground following the end of a Gas Year.
- (e) As used in this Condition 3.1.8B, “OS Scheme”, “OS Services”, “OS Capacity”, and “Buy-Back Capacity” shall have the meaning given to them in the OS Conditions (as defined in Part 2A).

### 3.1.8.2 Forecast UC Capacity Charge

- (a) The Forecast UC Capacity Charge to be charged to each UC Gas Supplier in respect of each unit of firm capacity held by each UC Gas Supplier in respect of a UC Exit Point shall be calculated by the PSA in accordance with the following formula:

$$\text{UCCapC} = \frac{[(\text{PSFRR}-\text{FRR})+\text{FRRU}] \times \text{Capacity Percentage}}{\text{TWFC}_t + \text{UC Firm Capacity}}$$

where:

“UCCapC” = the Forecast UC Capacity Charge;

“UC Firm Capacity” = at any relevant time in respect of a UC Gas Supplier, capacity held by such UC Gas Supplier on a firm basis in respect of a UC Exit Point in accordance with the provisions of the Network Code and in respect of a Gas Year (or any part of a Gas Year);

- (b) The Monthly UC Capacity Payment shall be calculated in accordance with the following formula in respect of the UC Firm Capacity held by each UC Gas Supplier, the components of which shall be applied in respect of month “m” in Gas Year “t” and shall be payable by UC Gas Supplier “s”:

where:

$$\text{MUCCapP}_s = \frac{\text{UCCapC}}{12} \times \text{UCFC}_s$$

MUCCapPs = the Monthly UC Capacity Payment;

UCCapC = the Forecast UC Capacity Charge applicable in respect of Gas Year<sub>t</sub>;  
and

UCFC<sub>s</sub> = the UC Firm Capacity held by UC Gas Supplier s in respect of Gas Year<sub>t</sub>.



### 3.1.8.3 **Forecast UC Revenue Receivable**

The Licensee's forecast of UC Revenues in respect of any Gas Year  $t$  shall be the aggregate of  $(UCComC_t \times UC \text{ Forecast Annual Quantity } t) + (UCCapC_t \times \text{the UC Firm Capacity held by all UC Gas Suppliers in Gas Year } t)$ .

### 3.1.9 **Supplemental Payment**

The Licensee shall charge a Supplemental Payment to the Gas Supplier supplying gas to Premier Power Limited and who had a contract in place with Premier Power Limited at the date of the Grant (the “Committed Supplier”) in respect of each Gas Year ending with the Gas Year 2010/2011 if at the end of any such Gas Year:

$$\frac{CSCP \times \underline{ARR}}{PSARR} < \left[ \frac{\{(AUOC \times (1 - (cap))) + ((ARR - AUOC) \times ((1 - F) - (cap)))\} - OTHCP \times \underline{ARR}}{PSARR} \right]$$

and that Supplemental Payment shall be calculated as follows:

$$\frac{\{(AUOC \times (1 - (cap))) + ((ARR - AUOC) \times ((1 - F) - (cap)))\} - (OTHCP + CSCP) \times \underline{ARR}}{PSARR}$$

where:

CSCP = the total of the Monthly Postalised Commodity Payments paid by the Committed Supplier during the Gas Year;

AUOC = the total of the Licensee Unpredictable Operating Costs incurred by the Licensee in the Gas Year;

OTHCP = the total of the Monthly Postalised Commodity Payments paid by all PS Gas Suppliers other than the Committed Supplier during the Gas Year;

F = the value in respect of the Gas Year taken from the following table:

Gas Year	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011
F	0.0895	0.0931	0.0947	0.0963	0.0976	0.0987	0.0996

(cap) = the Capacity Percentage.

### 3.1.10 Allowed Revenue after Final Repayment Date

3.1.10.1 Not less than 12 months prior to the date which the Licensee anticipates will be the Final Repayment Date the Licensee shall submit to the Authority:

- (i) a proposal as to the formula to be used for calculation of its allowed revenue recovery from conveyance charges (the "Total Allowed Transmission Revenue") in respect of Post Finance Gas Years (as defined in Condition 3.1.10.2) (the "Proposed Formula"); and
- (ii) a forecast of the amount of its Total Allowed Transmission Revenue in respect of the first five Post Finance Gas Years (the "Forecast");

3.1.10.2 The Licensee shall, in setting its charges for the conveyance of gas for each Gas Year which starts after the Final Repayment Date (such Gas Years being "Post Finance Gas Years" and the expression "Finance Gas Years" shall be construed accordingly) shall do so in accordance with such arrangements as are agreed by the Authority having regard to the principle that the Licensee shall be entitled to receive by way of conveyance charges:-

- (a) the costs incurred by the Licensee deemed necessary or appropriate by the Authority in administering, maintaining and operating the Economic Network;
- (b) the costs incurred by the Licensee deemed necessary or appropriate by the Authority to expand, reinforce and renew the Economic Network;
- (c) during the Post Finance Gas Years which end prior to the date on which an expert appointed by the Licensee (the “Expert”) anticipates that the required decommissioning works as described below will be commenced, revenues which (when aggregated with any revenues recovered by it during Finance Gas Years in respect of the costs of decommissioning pursuant to the Authority Direction) are sufficient to fund the expected costs (as determined by the Expert) of carrying out such works of decommissioning of the Economic Network as are required to be carried out pursuant to applicable law and the contractual obligations of the Licensee. The remit of the Expert shall be the assessment of the nature and extent of the decommissioning works which are required and the likely costs of those decommissioning works; and
- (d) the aggregate of the amounts calculated under (a), (b) and (c) above will be reduced by the amount of any free surplus cash (excluding, for the avoidance of doubt, any cash which is held in a fund or reserve for the purpose of financing future costs or decommissioning costs) available to the Licensee for payment of the costs referred to in (a), (b) and (c) above.

3.1.10.3 The Licensee shall promptly provide such further information or explanation and access to documents and records as the Authority reasonably requires for the purpose of verifying that the Proposed Formula and the Forecast submitted to it by the Licensee comply with the principles set out in Condition 3.1.10.2.

3.1.10.4 The Authority may, following review of the Proposed Formula and the Forecast, by written notice (including, where approval has been given by the Authority

pursuant to Condition 3.1.10.4(ii), details of the amendments made by the Authority and the reasons for them) to the Licensee:

- (i) approve the Proposed Formula and the Forecast. The Proposed Formula shall then be the basis for calculating Total Allowed Transmission Revenue; or
- (ii) approve the Proposed Formula and the Forecast with such amendments as it deems necessary or appropriate to ensure compliance with the basis of calculation set out in Condition 3.1.10.2.

3.1.10.5 In the event that the Authority gives its approval under Condition 3.1.10.4(ii) (in this Condition 3.1.10.5, the “Approval”):-

- (i) the Approval shall not have effect for 28 days commencing with the date of the notice of the Approval;
- (ii) the Licensee may within 28 days of the date of the notice of the Approval request the Authority by written notice to the Authority (a "disapplication notice"), not to apply the provisions of Condition 3.1.10.4(ii) in which event the Approval shall not apply;
- (ii) the disapplication notice may be withdrawn by the Licensee at any time within six months of the date of the disapplication notice;
- (iii) unless within six months of the date of the disapplication notice (provided such disapplication notice has not been withdrawn) the Authority publishes a decision under Article 14(8) of the Order to modify in whole or part this Condition 3.1.10, then the Proposed Formula and the Forecast (in the form originally proposed by the Licensee under Condition 3.1.10.1) shall apply as if approved by the Authority pursuant to Condition 3.1.10.4(i);

(iv) in the event of the Authority publishing a decision under Article 14(8) of the Order to modify in whole or part this Condition 3.1.10, the Licensee exercising its right to appeal to the CMA against that decision in accordance with Article 14B of the Order, and the CMA in respect of the provisions to which the disapplication notice relates:

- (A) quashing the decision of the Authority under Article 14E(2)(a) of the Order; and
- (B) neither remitting the matter back to the Authority under Article 14E(2)(b) of the Order nor substituting its own decision for that of the Authority under Article 14E(2)(c) of the Order,

then the Proposed Formula and the Forecast (in the form originally proposed by the Licensee under Condition 3.1.10.1) shall apply as if approved by the Authority pursuant to Condition 3.1.10.4(i).

### **3.1.11 Termination Payments**

If the Licensee receives any sums due under the Network Code upon the termination of a Gas Supplier's Accession Agreement in respect of future Gas Years following the Gas Year in which the date of termination occurs, the Authority shall amend the Forecast Required Revenue and Actual Required Revenue to take account of such payment, according to a methodology agreed with the Licensee.

### **3.1.12 Payments for Previous Use of Economic Network**

The Licensee shall be entitled to invoice and receive (or, if already invoiced prior to the grant of the Licence, to receive), pursuant to the Licence and the Network Code, any charge or other amount in respect of the conveyance of gas through the Economic Network at any time prior to the revocation of the Predecessor Conveyance Licence and which (if the Predecessor Conveyance Licence had remained in full force and effect in accordance with its terms) the Licensee would

have been entitled to invoice and receive (or, as the context requires, to receive) after the time of revocation of the Predecessor Conveyance Licence in accordance with the Predecessor Conveyance Licence and the Network Code.

### **Condition 3.2 - Corporate Governance**

3.2.1 The Licensee shall at all times when the Licence is in force and for so long as the Licensee remains the holder of the Licence:-

- (i) comply with the terms of its Memorandum and Articles of Association;
- (iv) not make any change to its Memorandum and Articles of Association or either of them without the prior written consent of the Authority;
- (iii) have non-executive directors of appropriate standing with relevant experience who shall be greater in number than the executive directors;
- (iv) refrain from taking any action which would cause the Licensee to be in contravention of any of the Conditions of the Licence; and
- (v) to the extent they are appropriate to the circumstances of the Licensee, comply with the principles and guidance of the Combined Code on Corporate Governance for the time being annexed to the Listing Rules of the UK Listing Authority.

3.2.2 The Licensee shall procure that Northern Ireland Energy Holdings Limited, the company limited by guarantee which is to become the ultimate holding company of the Licensee (the "Holding Company"), shall deliver to the Authority not later than seven days after the date on which the Licence comes into full force and effect, a legally enforceable undertaking from the Holding Company in favour of the Authority, which is expressed to remain in force for so long as the Licensee remains the holder of the Licence, in which the Holding Company undertakes to the Authority that:-

- (i) it shall comply with, and shall procure that each other holding company (which expression shall in this Part 3 have the meaning

given to it in Article 4 of the Companies (Northern Ireland) Order 1986) of the Licensee shall comply with, the terms of its Memorandum and Articles of Association;

- (ii) it shall not make, and shall procure that no other holding company of the Licensee shall make, any change to its Memorandum and Articles of Association or either of them without the prior written consent of the Authority;
- (iii) it shall, and shall procure that each other holding company of the Licensee shall, exercise all such rights as are available to it to procure that each of it, each other holding company of the Licensee and the Licensee itself shall have non-executive directors of appropriate standing with relevant experience who shall be greater in number than the executive directors;
- (iv) it shall refrain, and shall procure that each other holding company of the Licensee shall refrain, from taking any action which would cause the Licensee to be in contravention of any of the Conditions of the Licence;
- (v) it shall continue to be a company limited by guarantee within the meaning of Article 12 of the Companies (Northern Ireland) Order 1986;
- (vi) it shall not permit any change of control of the Licensee or any other holding company of the Licensee to occur without the prior written consent of the Authority;
- (vii) to the extent that they are appropriate to the circumstances of the company in question, it shall comply with, and procure that each other holding company of the Licensee complies with, the principles and guidance of the Combined Code on Corporate Governance for the time being annexed to the Listing Rules of the UK Listing Authority.

For the purposes of this condition, there is a change in the control of the Licensee whenever a person obtains control of the Licensee who did not have control of the Licensee when this Licence was granted; and sub-sections (2), (3) and (4) of Section 450 of the Corporation Tax Act 2010 shall apply for the purpose of determining whether for the purposes of this paragraph

a person has or had control of the Licensee, but at any time should no person have control then for the words "the greater part" wherever they occur in said sub-section (3) there shall be substituted the words "one-third or more".

3.2.3.1 In this Condition 3.2, a reference to the memorandum and/ or articles of association of the Licensee, the Holding Company or any holding company of the Licensee shall be a reference to its memorandum and/or articles in force at the time the Licence comes into full force and effect as varied from time to time in accordance with the provisions of Condition 3.2.1 (ii) or 3.2.2 (ii).

3.2.4 The Licensee shall inform the Authority without delay when:-

- (i) a new Director (of it or a holding company) is appointed;
- (ii) the resignation or removal of a Director takes effect; or
- (iii) any important change in the functions or executive responsibilities of a Director occurs.

The Licensee shall notify the Authority of the effective date of the change and, in the case of an appointment, whether the position is executive or non-executive and the nature of any specific function or responsibility.

3.2.5 The Licensee shall procure that each Related Company shall prepare annual accounting statements in accordance with UK generally accepted accounting principles and practices (as defined in Condition 1.2.11 of Part 1) and send a copy of the statements to the Authority within a period of 10 months from the end of the financial year to which the relevant statements relate. Where used in this Part 3, "Related Company" means (a) the Holding Company (b) each other holding company of the Licensee and (c) each Joint Support Company (as defined in the Authority Direction).



- 3.2.6 The Licensee shall not carry on any business or activity other than the Licensee's Business. In this Condition, "Licensee's Business" means the business of the Licensee in conveying, or participating in the conveyance of, gas through the Economic Network and all activities and matters connected or incidental thereto (including the entering into and performance of the financing documents which will be entered into at or about the time at which the Licensee becomes a wholly owned subsidiary of the Holding Company) and any other activities and matters (including any social enhancement projects) approved by the Authority from time to time.
- 3.2.7 The Licensee shall not own any shares in any company or (other than in the ordinary course of business) any other investments.
- 3.2.8 Without prejudice to Condition 1.12 of Part I, the Licensee shall not without the written consent of the Authority after disclosure of all material facts by the Licensee to the Authority:
- (a) create any mortgage, charge, pledge, lien or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into any guarantee of any obligation otherwise than:
    - (i) on an arm's length basis;
    - (ii) on normal commercial terms;
    - (iii) for a Permitted Purpose; and
    - (iv) (if the transaction is within the ambit of Condition 1.12.1 of Part I) in accordance with Conditions 1.12.2 to 1.12.4 of Part I;

provided that nothing in this Condition shall prevent the Licensee guaranteeing any obligation owed by a Related Company where the obligation has been or is to be incurred for a Permitted Purpose;

- (b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any affiliate or related undertaking of the Licensee otherwise than by way of:
  - (i) repayment of capital or a distribution or other return of assets on a winding-up;
  - (ii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;
  - (iii) a transfer, lease, licence or loan of any asset, right or benefit on an arm's length basis and on normal commercial terms;
  - (iv) repayment of any loan or payment of any interest on such a loan on an arm's length basis and on normal commercial terms;
  - (v) payments for group corporation tax relief;
  - (vi) a loan not prohibited by Condition 3.2.8(c); or
- (c) make loans to any affiliate or related undertaking of the Licensee, other than loans for a Permitted Purpose.

3.2.9 As used in Condition 3.2.8:-

"indebtedness" means all liabilities now or hereafter due, owing or incurred, whether actual or contingent, whether solely or jointly with any other person and whether as principal or surety, together with any interest accruing thereon and all costs, charges, penalties and expenses incurred in connection herewith;

**"Permitted Purpose"** means the purpose of all or any of the following:-

- (a) the Licensee's Business;

- (b) without prejudice to the generality of paragraph (a), any payment or transaction lawfully made or undertaken by the Licensee in relation to the disposal of or relinquishment of operational control over any relevant asset in accordance with Condition 1.12 of Part I;
- (c) without prejudice to the generality of paragraph (a), any payment or transaction lawfully made or undertaken by the Licensee for a purpose within Condition 3.2.8(b).

### **Condition 3.3 - Operational Obligations**

3.3.1 The Licensee shall perform its functions, acting as a Reasonable and Prudent Operator, with respect to the Economic Network in such manner as it considers is best designed to secure the objectives of:-

- (i) maintaining the capacity and functionality of the Economic Network; and
- (ii) optimising the efficiency, reliability, availability and operational life of the Economic Network.

"Reasonable and Prudent Operator" or "RPO" means a person acting in good faith with the intention of performing its obligations under the Licence and who in so doing and in the general conduct of its undertaking, exercises that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be exercised by a skilled and experienced operator complying with applicable law and engaged in the same type of undertaking and under the same or similar circumstances and conditions.

#### **3.3.2 Procurement**

- (a) The Licensee shall contract for the provision of such Network Services as the Licensee considers appropriate acting as a Reasonable and Prudent Operator in order to enable the Licensee to discharge its obligations under the Order and Condition 3.3.1.
- (b) In contracting for the provision of Network Services pursuant to Condition 3.3.2(a), the Licensee shall, consistent with the objectives stated in Condition 3.3.1, purchase or otherwise acquire Network Services from the most economical sources available to it having regard to the quantity and nature of the Network Services required to enable the discharge of its obligations under the Order and Condition 3.3.1 and to the diversity, sources and reliability of such Network Services which are available at that time for purchase or other acquisition.

- (c) This Condition shall not extend to prescribing the manner or circumstances in which the Licensee shall at any time call for the delivery of the Network Services under any contract entered into pursuant to the Licence.
- (d) The Licensee shall not be in breach of this Condition by reason only of performing any obligations imposed on it by any enactment or by any of the Conditions of the Licence.
- (e) As used in this Condition, "Network Services" means any services which are being, or (as the context requires) are to be, provided to the Licensee which fall within any of the following categories, namely:-
  - (i) the carrying out of works of maintenance on the Economic Network (including by way of the refurbishment of any component or the provision of any replacement components);
  - (ii) the carrying out of any survey or inspection works on the Economic Network;
  - (iii) the carrying out of any repair or reinstatement works in the aftermath of the occurrence of any damage to or destruction of the Economic Network or any part of it;
  - (iv) the effecting or maintenance of insurances;
  - (v) management, consultancy or other services in relation to any of the matters described in (i), (ii), (iii) or (iv) above.
- (f) When requested to do so by Authority, the Licensee shall produce a Procurement Plan, within 28 days of the request. The Procurement Plan shall state the list of contracts entered into by the Licensee for activities associated with the Licensee's Business; the duration and costs of such contracts. The Plan shall also report on the details of the procurement process and an assessment by the Licensee of how its procurement activities fulfil Condition 3.3.1.

### **3.3.3 Management Incentive Plan**

- (a) When requested to do so by Authority, the Licensee shall within 28 days of the request send to the Authority a plan (a “Management Incentive Plan”) under which the level of remuneration of the executive directors of the Licensee and any Related Company and such other persons as the Authority shall from time to time specify is expressly related to specified standards concerning their personal performance and the performance of the Licensee in such a way as to enhance their incentives to improve those standards.
- (b) Every time that the Licensee sends a Management Incentive Plan to the Authority under Condition 3.3.3(a), the Licensee shall, at the same time, send to the Authority a statement summarising the principal terms of the Management Incentive Plan and the principles underlying it. Without prejudice to the generality of the foregoing, the statement shall include:
  - (i) details of the categories of persons to whom the Management Incentive Plan applies;
  - (ii) the maximum entitlement of any such category of persons; and
  - (iii) an indication of the criteria which are applied in determining the level of remuneration (with particular regard and making express reference to the criteria set out in Condition 3.3.3(c)) and the relative weighting given to each such criterion.
- (c) When formulating a Management Incentive Plan, the Licensee shall have regard to such criteria as it considers to be appropriate in all the circumstances, which may, without limitation, include:
  - (i) safety;
  - (ii) reliability and performance of the Network;
  - (iii) fulfilment of obligations under contracts and under the Licence;
  - (iv) maximising the availability of the Network;

- (v) maximising available capacity which is economical;
- (vi) openness and transparency of operations through regular reports to industry; and
- (vii) operational expenditure performance.

#### 3.3.4 Single TSO for Northern Ireland Gas Transmission Network

The Licensee shall co-operate with any implementation of arrangements for a Single Transmission Operator for the Northern Ireland Gas Transmission Network, provided that the Licensee shall not be required to anything pursuant to this Condition which would cause it to be in contravention of any statutory obligation, any of the Finance Documents (as defined in the Authority Direction referred to in Condition 3.1.7.1) or any other Condition of this Licence. As used in this Condition "Single Transmission Operator" means any person who is authorised (under the Energy Order or any other enactment in force at any relevant time) to operate the system of transmission pipe-lines in Northern Ireland.

## **SCHEDULE 1**

### **Authorised Area for the Conveyance of Gas**

The Licensed Area comprises the land in on or over which the Network is situated at the date of the Grant, running from (and including) the low water mark at Castle Robin bay to (and including) the pressure reduction site within the inner security fence at Ballylumford Power Station.



## **SCHEDULE 2**

### **Right of Authority to Revoke Licence**

#### 1. Circumstances allowing revocation

The Authority may at any time revoke the Licence by not less than 30 days' notice to the Licensee:

- (a) if the Licensee agrees in writing with the Authority that such Licence should be revoked; or
- (b) if any amount payable under Condition 1.13 is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the Licensee notice that the payment is overdue provided that no such notice shall be given earlier than the sixteenth day after which the amount payable becomes due; or
- (c) if the Licensee fails to comply with a Final Order (within the meaning of Article 42 of the Energy Order) or with a Provisional Order (within the meaning of Article 42 of the Energy Order) which has been confirmed under Article 42 of the Energy Order and which (in either case) has been made in respect of a contravention or apprehended contravention of a condition to which the Licence is subject or of a “relevant requirement” as defined in Article 41(2)(b) of the Energy Order and such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice of such failure to the Licensee, provided that no such notice shall be given by the Authority before the expiration of the period within which an application under Article 44 of the Energy Order could be made questioning the validity of the Final or Provisional Order or before the proceedings relating to any such application are finally determined; or
- (cc) if the Licensee fails to pay any financial penalty (within the meaning of Article 45 of the Energy Order) imposed in respect of a contravention or apprehended contravention of a condition to which such Licence is subject or of a “relevant requirement” as defined in

Article 41(2)(b) of the Energy Order by the due date for such payment and the payment is not made to the Authority within three months after the Authority has given notice in writing of such failure to the Licensee, provided that no such notice shall be given by the Authority before the expiration of the period within which an application under Article 49 of the Energy Order could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined; or

- (d) if the Licensee fails to comply with any order made by the Secretary of State under Sections 56 or 73 of the Fair Trading Act 1973 or Section 10(2)(a) of the Competition Act 1980; or
- (e) if the Licensee:
  - (i) is unable to pay its debts (within the meaning of Article 103(1) or (2) of the Insolvency (Northern Ireland) Order 1989, but subject to Paragraph 4 of this Schedule 2) or if any voluntary arrangement is proposed in relation to it under Article 14 of that Order or if it enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority); or
  - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of Article 5(1) of the Insolvency (Northern Ireland) Order 1989) of the whole or any material part of its assets or undertaking appointed; or
  - (iii) has an administration order under Article 21 of the Insolvency (Northern Ireland) Order 1989 made in relation to it; or
  - (iv) passes any resolution for winding up other than a resolution previously approved in writing by the Authority; or

- (v) becomes subject to an order for winding up by a court of competent jurisdiction; or
- (f) if at any time the Licensee intentionally or recklessly fails to notify the Authority of a change in control as soon as practicable after such change in control should have occurred; or there has been a change in control notified by the Licensee:
  - (i) the Authority serves notice on the Licensee stating that the Authority proposes to revoke the Licence in pursuance of this paragraph unless such further change in control of the Licensee as is specified in the notice takes place (or control reverts to the person(s) controlling the Licensee prior to the change) within the period of three months beginning with the date of service of the notice; and
  - (ii) that further change or reversion in control does not take place within that period; or
- (g) if the Licensee is convicted of having committed an offence under Article 46 of the Order or under Article 63 of the Electricity (Northern Ireland) Order 1992.

2. Revocation if Licensee ceases to carry on the licensed business

The Authority may at any time by not less than 30 days notice to the Licensee revoke the Licence if the Licensee has not commenced carrying on its business in the conveyance of gas within six months of the date of the Grant or thereafter ceases for a period of 3 months to carry on its business in the conveyance of gas and in relation to any date or period given in this paragraph 2 the Authority shall substitute a later date or a longer period where reasonably satisfied that exceptional circumstances which could not have been reasonably foreseen by the Licensee had prevented, or could reasonably be expected to prevent, the carrying on of the relevant business.

3. Revocation of Licence if Licensee does not have title in assets of business

- (a) The Licensee shall acquire ownership of the relevant assets (as the same are defined in Condition 1.12.6) required for the conduct of its Licensed Business and save as is permitted under Conditions 1.11 and 1.12, if the Licensee does not have ownership of the relevant assets required for the conduct of its Licensed Business under the Licence, then the Authority may at any time by not less than 30 days' notice to the Licensee revoke the Licence for such Licensed Business.
- (b) For the purposes of this paragraph 3 of this Schedule 2 the Licensee shall own a relevant asset if it could not otherwise be treated as having been disposed of (as disposal is defined in Condition 1.12.6).

4. Licensee's deemed ability to pay its debts

- (a) For the purposes of paragraph 1(e)(i) of this Schedule 2, Article 103(1)(a) of the Insolvency (Northern Ireland) Order 1989 shall have effect as if for "£750" there was substituted "£250,000" or such higher figure as the Authority may from time to time determine by notice in writing to the Licensee.
- (b) The Licensee shall not be deemed to be unable to pay its debts for the purposes of paragraph 1(e)(i) of this Schedule 2 if any such demand as is mentioned in Article 103(1)(a) of the Insolvency (Northern Ireland) Order 1989 is being contested in good faith by the Licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1 of this Schedule 2.

5. Additional definition

For the purposes of paragraph 1(f) of this Schedule 2, there is a change in the control of the Licensee whenever a person obtains control of the Licensee who did not have control of the Licensee when this Licence was granted; and sub-sections (2) and (4) to (6) of Section 416 of the Income and Corporation Taxes Act 1988 shall apply for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, but at any time should no

person have control then for the words "the greater part" wherever they occur in the said sub-section (2) there shall be substituted the words "one-third or more".

Note: (does not form part of the Licence)

Consolidated to include

1. Licence Fee Modification - March 1999
2. Price Control - Oct 99
3. Price Control - Date not known - but thinks its September 2000
4. EU Directive 98/30 - April 03
5. Transaction Cost Mid – April 2004
6. Energy Order Mods - Sept 03
7. Energy Order Mods - April 04
8. Postalisation Mods - September 04
9. Modification to Postalisation Conditions – 23 June 06 – (signed copy of modification)
10. EU Directive 2003/55/EC 16<sup>th</sup> November 2007
11. Licence modification of condition 1.13 Payment of fees to the Authority – August 2012
12. Licence modification of condition Part 2A and condition 3.1 – 29 June 2012
13. Licence modifications following 3rd Energy Package – 30 April 2013
14. Licence modifications for FOU Certification – 22 August 2013
15. Licence modification of Part 2A and Condition 3.1 for CMP – 15 Jan 2014
16. Licence modifications following 3rd Energy Package – 28 March 2014
17. Licence modifications of Standard Condition Part 2A – 14 May 2015
18. Licence modifications due to LMA Regulations (Appeals to the CMA) – 04 August 2015
19. Licence modification to include condition 2.13A - Forecasting Party Agreement, condition 2.4B - Compliance with European Requirements, condition 2.4C - Gas Transportation Agreement and Part 2A licence modifications - 09 June 2016.
20. Licence mods to update definition of domestic consumer and provide new definitions of domestic and non-domestic premises and non-domestic consumers – 01 September 2016.
21. Licence modifications following GT17 – 01 August 2017
22. Licence modification to insert condition 2.17 and 2.4D for the implementation of single system operations – 05 August 2017

23. Revised postalised tariff setting timetable – effective 15<sup>th</sup> January 2018.
24. Licence Modifications to standardise the connections condition and consequential modifications effective 25<sup>th</sup> June 2018.
25. Modification adding Condition 2.1A Supplier of Last Resort. Decision paper and Notice of modification published on the 4<sup>th</sup> July 2018 and modification became effective on 31 August 2018.
26. Revised percentages for capacity commodity split and updated publication requirements to implement Tariff Network Code, effective 6 June 2019
27. Licence tidy-up involving removal of Condition 2.4 and amendment of Condition 2A.4.3.1. Decision paper and Notice of modification published on the 24<sup>th</sup> June 2019; modification became effective on 19<sup>th</sup> August 2019.