



ANNEX A

Premier Transmission Limited (PTL)
Proposed Modifications



- Proposed deletions are indicated by ~~red text~~ which has been struck through.
- Proposed additions are indicated by red text which has been underlined.

Proposed Modifications regarding deferred capex and updating GNI (UK) Ltd name

3.1.4 Actual Required Revenue

- (a) The Licensee's Actual Required Revenue (ARR_t) 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:-

$$ARR_t = (A_t + B_t + C_t + Z_t^*(S_t + X_t) - (D_t + E_t + F_t + H_t + Y_t)).$$

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;

X_t = in respect of :

(a) any Relevant Gas Year, the Unspent QSP Amount in respect of such Relevant Gas Year; and

(b) any Gas Year which is not a Relevant Gas Year, zero ;

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.

Y_t = in respect of :

(a) any Gas Year which is immediately preceded by a Relevant Gas Year, the Unspent QSP Amount Reversal in respect of such Gas Year ; and

(b) any Gas Year which is not immediately preceded by a Relevant Gas Year, zero ;

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_t, 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:

$$\text{UNRPT}_{t-2} \times (1 + \text{RE})^{1.5} \times \left[\frac{\text{CPI}_t}{\text{CPI}_{t-2}} \right] \times \left[\frac{\text{ARR}_{t-2}}{\text{PS ARR}_{t-2}} \right]$$

where:

UNRPT_{t-2} = the Unrecovered Postalisation Payment as calculated by the PSA in respect of Gas Year_{t-2};

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);

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);

ARR_{t-2} = the Licensee's Actual Required Revenue in respect of Gas Year_{t-2};

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:

$$\text{LIBOR rate \%} + 2\% - \left(\left[\left(\text{CPI}_t / \text{CPI}_{t-1} \right) - 1 \right] \times 100 \right);$$

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;

"GNI (UK) Bord-Gais" means ~~GNI (UK) Limited 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 ~~GNI (UK) Bord-Gais~~ Network;

"GNI (UK) Bord-Gais Network" means the pipeline constructed, owned or controlled by or on behalf of ~~GNI (UK) 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 GNI UK ~~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 GNI UK ~~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 6th 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).

"Specific Project" means:

- (a) a project for the carrying out of specific physical works (whether by way of repair, replacement, renewal, refurbishment, upgrade, enhancement, improvement, modification, addition or otherwise), but for the avoidance of doubt excluding any works as are referred to in (b) below; or
- (b) physical works (irrespective of the number or nature of such works or how they are described, scoped or classified) carried out or proposed to be carried out by or for GNI (UK) in a given Gas Year and the costs (or part of the costs) of which are recoverable from the Licensee under the Gas Transportation Agreement and, for the avoidance of doubt, the physical works referred to in this sub-paragraph (b) shall constitute a single Specific Project.

"Qualifying Specific Project" means a Specific Project in relation to which the Licensee has included (pursuant to Condition 3.1.3 (b)(i)(bb)) as part of its Forecast Required Revenue for the Gas Year referred to in such Condition an amount in respect of Eligible Pass-Through Costs for such Gas Year of not less than £200,000 in September 2021 prices (such sum to be adjusted annually by reference to CPI_t)

"Relevant Gas Year" means a Gas Year in respect of which:

- (a) the Licensee's Forecast Required Revenue includes an amount such as is referred to in the definition of Qualifying Specific Project (each such amount so included being a "QSP Forecast Amount"); and
- (b) the costs incurred in such Gas Year in respect of any Qualifying Specific Project fall short of the QSP Forecast Amount in respect of such Qualifying Specific Project (each such shortfall being a "QSP Spending Shortfall")

"Unspent QSP Amount" means:

- (a) in respect of a Relevant Gas Year , the aggregate of all QSP Spending Shortfalls for such Relevant Gas Year ; and



(b) in respect of a Gas Year which is not a Relevant Gas Year , zero.

“Unspent QSP Amount Reversal” means:

- - (a) in respect of any Gas Year (whether or not itself a Relevant Gas Year) which is immediately preceded by a Relevant Gas Year, the Unspent QSP Amount in respect of such immediately preceding Relevant Gas Year
 - (b) in respect of any other Gas Year , zero.

