



THE CONNECTED PHOENIX HIGH PRESSURE APPLICATION

SCHEDULE 1

Form of Application for a Gas Conveyance Licence, Gas Storage Licence, Gas Supply Licence or LNG Licence

Please note that Phoenix Natural Gas Limited intends to assign the licence granted under this form of application so far as relating to the whole of the Licensed Area, to a separate company, Newco, if this licence application is successful to maintain the regulatory/bank security ring fence of Phoenix Natural Gas Limited. Newco will be a wholly owned subsidiary of Phoenix Energy Holdings Limited and will trade under the Phoenix brand.

1. *Full name of the applicant.*

Phoenix Natural Gas Limited ("Phoenix").

2. *Address of the applicant or, in the case of a body corporate, the registered or principal office.*

197 Airport Road West
Belfast
BT3 9ED

3. *Where the applicant is a partnership or other joint venture (other than a body corporate), the name and address of each party concerned.*

Not applicable.

4. *The name, address and telephone number of the person or persons to whom correspondence or enquiries concerning the application should be directed.*

Abigail McCarter
Phoenix Natural Gas Limited
197 Airport Road West
Belfast
BT3 9ED

Telephone 028 9055 5843

5. *The particular type of licence(s) sought, that is to say whether to convey gas and/or store gas and/or supply gas and/or operate an LNG facility, or an extension of any of these types of licence granted to the applicant at the time of this application.*

Phoenix is applying for a conveyance licence for the high pressure distribution of gas.

6. *Details of any other licence application to which the applicant wishes this application to be connected.*

This application is connected to "The Connected Phoenix Low Pressure Application".

7. *The date from which the licence or extension is desired to take effect.*

Phoenix proposes that the licence takes effect once Stage 3 of the licence application process ("Stage 3 – Consultations and Licence Grant") is complete.

8. *Status of the applicant, that is to say whether the applicant is a public limited company, private limited company, overseas company, other body corporate, partnership, unincorporated association, sole trader or other entity (and in the last case particulars of the legal status).*

Private limited company.

9. *If the applicant is a body corporate:*
 - a. *The jurisdiction under which it is incorporated.*
 - b. *If applicable, its registration number.*
 - c. *The full names and addresses of its current Directors (including any shadow director within the meaning of section 251 of the 2006 Act) or, where appropriate, the corresponding officers.*
 - d. *The name, address and telephone number of a person or persons authorised to accept service of any notices or processes required to be served on the applicant.*
 - e. *The name and registered office of any holding company (within the meaning of section 1159 of the 2006 Act) of the applicant and the name and registered or principal office of any parent undertaking (within the meaning of section 1162 of the 2006 Act) of the applicant.*

- a. Northern Ireland
- b. NI 32809

c. See below

P V Dixon		
W F M McKinstry		
P J Ritson		
D G Russell		
R Fulton		

d. Michael McKinstry

Company Secretary
Phoenix Natural Gas Limited
197 Airport Road West
Belfast
BT3 9ED

Telephone 028 9055 5595

e. The immediate parent company and controlling company is Phoenix Distribution Holdings Limited, a company incorporated in England, with registered office address 5 New Street Square, London EC4A 3TW.

Lionrai Investments No. 1 Limited is the parent company of the largest group of companies of which Phoenix is a member and for which group accounts will be drawn up.

The directors regard The Royal Bank of Scotland Group Pension Fund (whose registered office is at 1 Princes Street, London, EC2R 8PB) and Utilities Trust of Australia (whose registered office is at Level 27, 35 Collins Street, Melbourne, Vic, 3000, Australia), to be the ultimate parent companies (both companies have joint

ownership interests and equal voting rights of 50% each. Neither party has sole control) and Hastings to be the ultimate controlling party.

The directors regard Lionrai Investments No. 1 Limited, with registered office address c/o Hackwood Secretaries Limited, One Silk Street, London EC2Y 8HQ to be the ultimate UK holding company.

10. *If the applicant is neither a body corporate nor a sole trader, the name(s) and address(es) of the person or persons in whom effective control of the applicant rests.*

Not applicable.

11. *Where a holding of 20% or more of the shares of an applicant is held by a body corporate or partnership or an unincorporated association carrying on a trade or business with or without a view to profit, the name(s) and address(es) of the holder(s) of such shares shall be provided specifying in each case the class of share held, the number of shares so held and the percentage of the aggregate number of shares of that class represented thereby.*

The shareholding of Phoenix Natural Gas Limited is as follows:

Shareholder and address	Class of share held	Authorised Number of shares	Percentage of aggregate number of shares
Phoenix Distribution Holdings Limited 5 New Street Square London EC4A 3TW	Ordinary	2	100%

12. *Details of any licences under the Order or the Electricity (Northern Ireland) Order 1992 held, applied for (whether or not successfully) or intended to be applied for by the applicant or (so far as is known to the applicant) by any person who is a related person in relation to the applicant.*

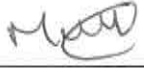

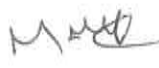
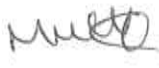


Phoenix Natural Gas Limited holds a licence for the distribution of gas in Northern Ireland.

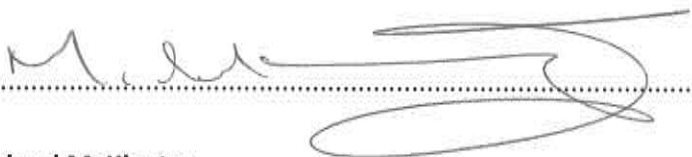
13. *Confirmation of statement by the applicant:*

*The applicant or, where the applicant is a company a senior officer of the company, must indicate his or her confirmation of statements (a) to (f) below by **initialling** next to those*

statements and **signing** where indicated below. In relation to statement (c) only, if the applicant or senior officer is not able to confirm the statement then he or she need not initial this statement provided that he or she provides a written description of the reasons why the senior officer cannot give such confirmation.

"I, the applicant or a duly authorized officer of the applicant hereby confirm that:

	Initial below
(a) the information provided in this application is true, accurate and complete.	
(b) the applicant has not breached any applicable legislation or regulations in preparing or making this application	
(c) the applicant is not aware of any application to place it in liquidation, administration or receivership, or to commence any analogous process or proceeding in any jurisdiction, and that no such process has been commenced.	
(d) the applicant is acting as a principal in the licence application and not as an agent for any undisclosed person and the applicant has expressly authorised me to act on its behalf in completing this application.	
(e) the applicant understands the obligations of a transmission system operator and/or distribution system operator; a gas storage operator; a gas supplier; or an LNG facility operator (as applicable) to comply with the conditions in the relevant licence.	
(f) the applicant understands that knowingly or recklessly making a false, incomplete, or misleading statement in support of this application may lead to the grant of the licence being refused, and may result in criminal prosecution under Article 46 of the Order."	

Signed: 

Name: **Michael McKinstry**

Position: **Group Finance Director**

Dated: 2 May 2014

THE CONNECTED PHOENIX HIGH PRESSURE APPLICATION

Schedule 2

**Documents and other Particulars to accompany an Application for a Gas
Conveyance Licence or Extension**

Financial information

1. *If the applicant is a company copies of:*
 - a. *The most recent annual accounts of the applicant in respect of which an auditors' report has been prepared, together with that report;*
 - b. *The annual accounts of the applicant for the two financial years preceding that to which the accounts referred to in sub-paragraph (a) above relate, together with the appropriate auditors' reports;*
 - c. *Such interim accounts (whether audited or not) as may have been prepared in respect of a period more recent than that covered by any of the documents specified in sub-paragraph (a) and (b) above.*

The Phoenix Natural Gas Limited ("**Phoenix**") statutory accounts for 2010, 2011 and 2012 are attached at Documents S2.1, S2.2 and S2.3 respectively.

2. *In addition to the documents specified at paragraph 1 if the applicant is a subsidiary undertaking, copies of:*
 - a. *The most recent group accounts in respect of the group of which the subsidiary undertaking forms part and in respect of which an auditors' report has been prepared, together with that report;*
 - b. *The group accounts in respect of that group for the two financial years preceding that to which the accounts referred in sub-paragraph (a) relate, together with the appropriate auditors' reports; and*
 - c. *Such interim accounts for that group (whether audited or not) as may have been prepared in respect of a period more recent than that covered by any of the documents specified in sub-paragraphs (a) and (b).*

The Kellen Group annual report and accounts for 2010, 2011 and 2012 are attached at Documents S2.4, S2.5 and S2.6 respectively.

Note: Following the change of ownership in August 2013, Lionrai Investments No. 1 Limited is the parent company of the largest group of companies of which Phoenix is a member and for which group accounts will be drawn up. Previously Kellen Investments Limited (a subsidiary of Carmel Capital II Sarl) was the parent company

of the largest group of companies of which Phoenix was a member and for which the most recent group accounts have been drawn up.

3. *Where the documents specified at paragraph 2 do not include the consolidated accounts for any parent undertaking of the applicant established outside Northern Ireland, copies of such accounts together with any auditors' reports, as indicate the financial state of affairs of the group in question:*
 - a. *At the time of the application; and*
 - b. *At the end of each of the three financial years preceding that time.*

See Paragraph 2 above.

4. *Where the applicant is not a company, such accounts or other information as indicate the financial state of affairs of the applicant, and of any person in whom effective control of the applicant resides:*
 - a. *At the time of the application; and*
 - b. *At the end of each of the three financial years preceding that time.*

Not applicable.

5. *A statement giving such further particulars (if any), whether by way of financial projections, sources of finance (including the amount of any borrowings required or being sought from banks or other lending institutions) or otherwise, as will, in conjunction with such particulars and documents as are provided in accordance with paragraphs 1 to 4, indicate whether the applicant would be likely to be able to finance the activities authorised by its licence if the application were granted.*

In August 2013, Terra Firma reached an agreement to sell 100% of Carmel Capital II S.à.r.l. (see Paragraph 7 below), including its wholly owned subsidiary Phoenix Natural Gas Limited, to Hastings' managed fund Utilities Trust of Australia and The Royal Bank of Scotland Group Pension Fund, for which Hastings manages an unlisted infrastructure mandate.

Hastings is a specialist fund manager of infrastructure assets dedicated to delivering reliable and consistent investment returns to a wide range of institutional investors. Hastings' stringent investment philosophy focuses on providing long-term value for investors through a disciplined and cautious approach.

Established in 1994, Hastings was one of Australia's first infrastructure fund managers. Hastings has an asset portfolio predominantly comprising utilities, airports, toll roads and seaports in Australia, United Kingdom, Europe and USA.

Paragraphs 3.9 and 3.10 of the "Criteria for Gas Licence Applications and Applications for Consent to Construct Major Pipe-Lines, Gas Storage or LNG Facilities" set out how Phoenix must demonstrate that it has the resources and financial standing to

undertake the activities which would be the subject of obligations set out in any conditions which UR indicates it would propose to include in the licence (or extension of licence) if it were granted. Phoenix demonstrates that it has such *'Financial resources and Standing'* to undertake the activities required by the licence in the attached Document S2.8.

Constitutional documents

6. *Where the applicant is a company:*
 - a. *copies of its Memorandum and Articles of Association or other constitutional documents;*
 - b. *the names of its directors as at the date of the application; and*
 - c. *the names of its principal shareholders as at the date of the application.*

Phoenix's latest Memorandum and Articles of Association, dated 3 November 2009, are attached (Document S2.7).

The names of Phoenix's directors as at the date of the application are:

- P V Dixon;
- W F M McKinstry;
- P J Ritson;
- D G Russell; and
- R Fulton.

The name of Phoenix's principal shareholder as at the date of the application is Phoenix Distribution Holdings Limited.

7. *Details of each parent undertaking, holding company and ultimate controller of the applicant, and full details of the position of the applicant within any group structure.*

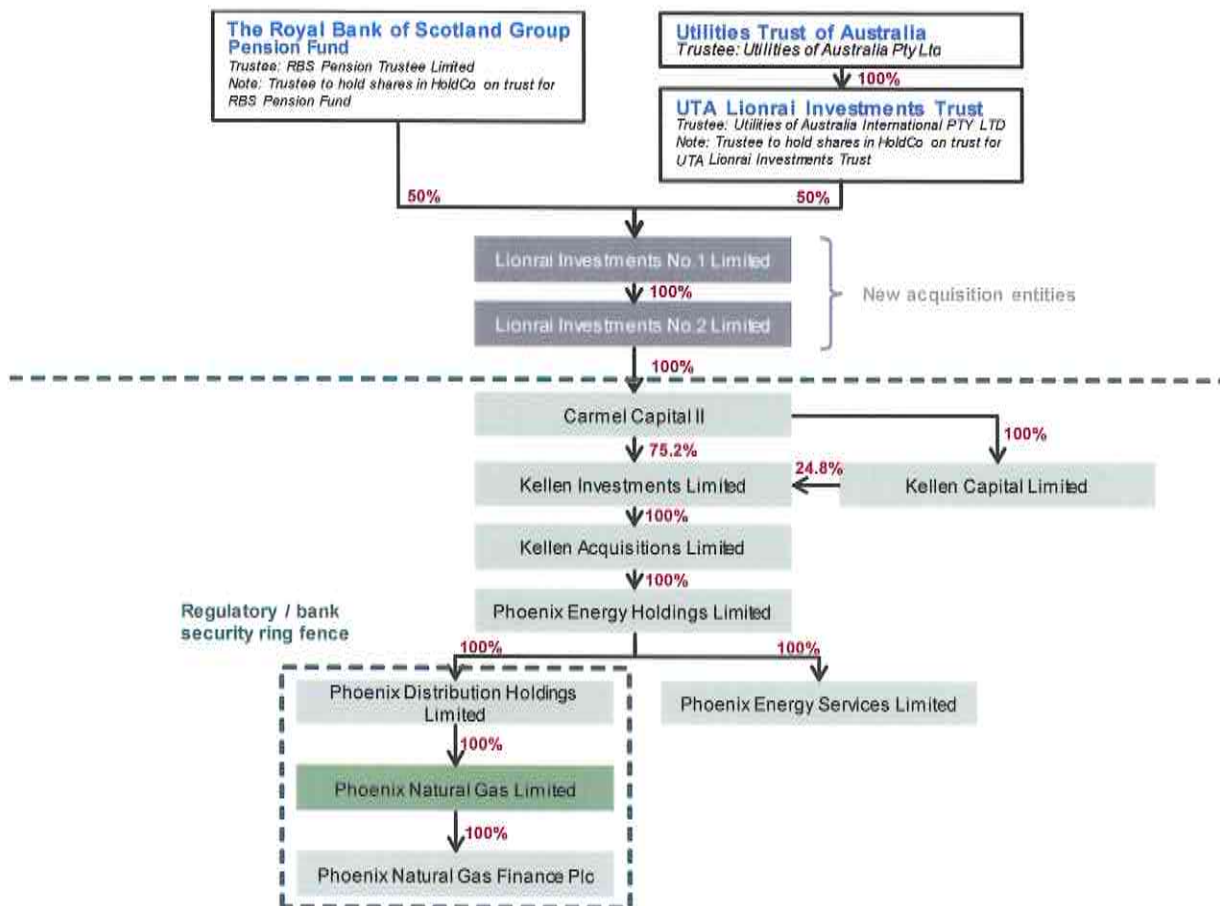
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The directors regard Lionrai Investments No. 1 Limited, with registered office address c/o Hackwood Secretaries Limited, One Silk Street, London EC2Y 8HQ to be the ultimate UK holding company.

The group structure and the position of Phoenix within the group structure is as follows:



Please note that Phoenix Natural Gas Limited (“Phoenix”) intends to assign the licence granted under this form of application so far as relating to the whole of the Licensed Area, to a separate company, Newco, if this licence application is successful to maintain the regulatory/bank security ring fence of Phoenix Natural Gas Limited. Newco will be a wholly owned subsidiary of Phoenix Energy Holdings Limited and will trade under the Phoenix brand.

Expertise of applicant

Note: Full detail of Phoenix's expertise is provided within the Phoenix High Pressure Operational Business Plan.

8. *A statement giving such particulars of the applicant, and of any sub-contractors or other persons on whose expertise the applicant proposes to rely, as may indicate whether the applicant or that other person has or will acquire the necessary skills to undertake the activities to which the licence or, as the case may be, the extension relates and any other activities which are incidental thereto.*

Phoenix currently operates a licence granted to it in 1996 for the conveyance of natural gas (at distribution level) in Northern Ireland ("the Licence")¹. At the time of its launch, the Phoenix project was one of the largest greenfield, private sector-led integrated gas transmission, distribution and supply investments in Western Europe.

Before the Phoenix investment, there was no existing natural gas infrastructure in Northern Ireland. Most importantly, Phoenix faced the challenge of developing a network and a market for natural gas from scratch.

Under the terms of the Licence, Phoenix is authorised to conduct its gas distribution business within an area covering approximately 40 per cent. of the population of Northern Ireland: Greater Belfast (comprising Belfast, Newtownabbey, Carrickfergus, Lisburn and North Down) and Larne ("the existing Licensed Area"). Since the Licence was first issued in 1996, the existing Licensed Area has been extended to include Comber (in 2007) and specific larger customers on the periphery of the Licensed Area (e.g. Temple and McQuillan Quarries).

Phoenix has always met (and exceeded) its licence obligations in respect of coverage of the network. By 2006, approximately 250,000 properties had natural gas available to them (which compares with a licence obligation to pass only approximately 224,000 properties in the same timeframe). The Phoenix network currently extends to over 3,000 kilometres of intermediate, medium and low pressure mains, which distribute natural gas throughout the Licensed Area. As at 31 December 2013, Phoenix had made gas available (in accordance with the terms of the Licence) to

¹ Phoenix's original licence was a combined licence for the conveyance and supply of gas in the Licensed Area. The conveyance part of the licence allowed Phoenix to construct and operate both a transmission and distribution network in Northern Ireland, and the supply part of the licence allowed Phoenix to supply gas to customers from that network. In line with the requirements of the Second EU Gas Directive 2003/55/EC, Phoenix legally separated its gas supply division from its transmission and distribution business on 1 January 2007 and on 31 March 2008 Phoenix completed the sale of its transmission assets to Northern Ireland Energy Holdings. The supply and transmission parts of the original combined Phoenix licence, now held by Phoenix, have been revoked by DETI and all references to supply and transmission activities have been deleted from the licence.

c.301,000 properties within the existing Licensed Area, of which c.171,000 (57 per cent.) have been connected to the network.

Since 1996 Phoenix has been successful in introducing natural gas to a new market and establishing a strong and vibrant supporting industry. Phoenix was responsible for constructing, operating and maintaining the Belfast Gas Transmission network for a period of c.12 years from 1996 until it was sold in 2008. Phoenix undertook the largest single transmission 'pull' across Belfast Lough which demonstrated Phoenix's attitude to using innovative solutions. Therefore although Phoenix has not been directly involved in transmission activities over the last few years, key personnel who were previously responsible for transmission are still employed by Phoenix.

Phoenix is the pre-eminent natural gas business in Northern Ireland. Within its distribution business Phoenix has undertaken innovative pipe laying techniques and has developed a strong skills base and a reputation for making safety the top priority. Imaginative marketing campaigns and hands-on customer support has expedited growth in the customer base and is key in building markets.

Phoenix will draw on the strengths, knowledge and experience of existing FTEs ("Full-Time Equivalents") including Senior Managers and Phoenix's Executive Directors ("the Directors") who intend to develop the natural gas network in the Gas to the West ("GTW") Licensed Area using the proven policies and procedures in place in the existing Licensed Area. In doing so, Phoenix will ensure that the required corporate governance and ring fencing arrangements for the existing Licensed Area are maintained.

Upon award of the licence, Phoenix will begin the procurement process to appoint a Project Management Contractor ("PMC"). The PMC will be responsible for, among other things, the Environmental Impact Assessment, Planning Approval, Front End Engineering Design and Project Management ("FEED").

Phoenix will also appoint a Construction, Design and Management ("CDM") Coordinator in accordance with the requirements of the Construction (Design and Management) Regulations 2007 ("CDM Regulations"). Among the duties of the CDM Coordinator is the formal notification of the commencement and completion of the project to the Health and Safety Executive for Northern Ireland ("HSENI").

A specialist pipeline contractor ("Construction Contractor") will also be appointed to carry out the actual construction.

Further details of Phoenix's proposals for what activities will be managed under contracts and how these contracts will be awarded and managed, are provided in

sections 3.1, 3.6, 3.7 and in chapters 6, 8 and 9 of the Phoenix High Pressure Operational Business Plan.

9. *Details of any licence or authorisation held by the applicant in a jurisdiction other than Northern Ireland which is equivalent to a licence under the Order or the Electricity (Northern Ireland) Order 1992.*

None.

Proposed authorised area and pipeline system

10. A statement as to the type of gas conveyance licence for which the applicant is applying, being:

- a. a licence to convey gas through a system which mainly comprises pipelines with pressure above 7 bar;
- b. a licence to convey gas through a system which mainly comprises pipelines with pressure of 7 bar or below; or
- c. a licence to convey gas through both of the above types of systems.

Phoenix is applying for a licence to convey gas through a system which mainly comprises pipelines with pressure above 7 bar.

11. A map drawn to an appropriate scale showing:

- a. The area in which the applicant proposes to convey gas from one place to another (“the proposed area”)
- b. The proposed configuration of the pipeline system the applicant would use for that purpose if the application were granted; and
- c. Any pipes used or to be used by the applicant wholly or mainly for the purpose of conveying gas to the proposed area if the application were granted.

Attached at Document S2.9.

12. A list of the district councils in whose area the proposed area lies.

The proposed area lies within the following district council areas:

- Dungannon and South Tyrone Borough Council;
- Cookstown District Council;
- Magherafelt District Council;
- Fermanagh District Council;
- Omagh District Council;
- Armagh City and District Council;
- Craigavon Borough Council; and
- Strabane District Council.

Development plan

13. A development plan in respect of the activities (“the authorised activities”) which would be authorised by the licence or, as the case may be, the extension, if the application were granted, including estimates, for each year of the period required to complete the development, of:
- a. The length(s) (in kilometres), diameters(s) and design operating pressure(s) of the pipelines to be used for the authorised activities;
 - b. The number of premises which may be connected to the pipeline system;
 - c. The amount of gas, in therms, expected to be conveyed, separately identifying any amount to be conveyed to domestic premises;
 - d. The total revenue from the authorised activities;
 - e. The total capital costs of the authorised activities, showing separately such costs in relation to procuring and laying pipelines, providing and installing meters, procuring and installing meters, procuring and installing other operational plant and machinery, and overhead and administrative requirements (in all cases excluding finance charges);
 - f. The total operating costs of the authorised activities, showing separately such costs in relation to fuel (including gas purchases), staff (including consultants’) costs, rent and rates, development costs and insurance; and
 - g. Net annual cashflow,

And stating, where appropriate, the assumptions underlying the figures provided.

UR has determined that applicants should submit applications on the basis of a pre-determined network design and development plan and regulatory model for the licensed activity. Phoenix’s completed workbook (including the underlying assumptions) is provided at Document HPDIW. For ease of reference this workbook includes separate “Development Plan” worksheets which provide information in accordance with this paragraph 13.

We have prepared the related Phoenix High Pressure Operational Business Plan (provided at Document HPOBP) in accordance with the terms of the Applicant Information Pack.

System security standards

Note: Full detail of Phoenix's system security standards is provided within the Phoenix High Pressure Operational Business Plan.

14. Particulars of the proposed system security standards for the pipeline network.

As part of the FEED, the PMC and Phoenix will have consulted with the security services and the Centre for Protection of National Infrastructure ("CPNI") to specify the level of security provisions required for the AGIs.

This is likely to take the form of secure fencing and entrance gates erected around the sites and should include for an alarm system to detect intruders. Lighting and Closed-Circuit Television ("CCTV") columns will be erected and cabled up. Access roads, flag-stone paths and a car parking area will be laid and chippings laid out across the site. Finally, a landscaping strip will be planted up around the whole site within a perimeter wooden post and rail fence.

The Gas Safety Management (Northern Ireland) Regulations 1997 ("GSMR") requires gas conveyors to prepare a safety case containing the requirements defined in Schedule 1 and to have this formally accepted by HSENI before conveying gas.

Phoenix prepared the Phoenix Natural Gas Safety Case (the "existing Safety Case") prior to the transmission and distribution of gas in the existing Licensed Area. This first issue of the existing Safety Case was accepted by HSENI as have each of the subsequent four revisions which followed thorough reviews undertaken by Phoenix. The history and progress of the existing Safety Case is outlined below:

Safety Case Issue number	Reason for creation/ review
1	Initial Safety Case
2	3 year review
3	Sale of Belfast transmission pipeline
4	3 year review
5	3 Year review

Issue 5 of the existing Safety Case is dated April 2012.

Phoenix has fulfilled the role of Northern Ireland Network Emergency Coordinator ("NINEC") since 1996 and has a sound technical knowledge and understanding of the overall Northern Ireland natural gas supply system, structures and operating

capabilities. As part of this role, Phoenix is responsible for preparing, updating and implementing the NINEC Safety Case which has been accepted by HSENI.

In conjunction with other Transmission System Operators (“TSOs”), Distribution Network Operators (“DNOs”) and statutory bodies, Phoenix will review the existing NINEC Safety Case for the inclusion of the GTW transmission and distribution systems. Phoenix will also submit the NINEC Safety Case to HSENI for acceptance.

Phoenix would propose a separate Safety Case be prepared for the GTW High Pressure (“HP”) Pipeline System. This approach will ensure that the identification and analysis of major accident hazards are appropriately identified and resourced for the GTW HP Pipeline System. This process will include specialist risk identification and analysis techniques.

Phoenix will use the skills and experience of its key members of staff in developing the existing Safety Case to prepare and submit a Safety Case for the GTW Licensed Area (the “GTW Transmission Safety Case”).

Further detail is provided in section 5.1 of the Phoenix High Pressure Operational Business Plan.

Phoenix has a Network Safety Group which comprises of all Senior Managers within the Commercial Operations department and is chaired by the Director of Commercial Operations. This group meets on a quarterly basis to review all health and safety issues and risks relating to the safe operation of the distribution network.

The Group also reviews any safety related matters which has been elevated by any other safety meetings within the organisation, for example the Risk Review Committee. Further detail is provided in section 4.1 of the Phoenix High Pressure Operational Business Plan.

An example of some of the areas reviewed are emergency procedures, risk assessments undertaken and reviewed, safety related training, results accident/incidents investigations and lessons learnt, results of safety audits/inspections undertaken and policy formation. Further detail is provided in section 4.4 of the Phoenix High Pressure Operational Business Plan.

This group ensures that health and safety is an integral part of all projects and operations undertaken by Phoenix. It is envisaged that the risk management processes currently in operation in Phoenix, which include the Network Safety Group, would be replicated for the GTW high pressure distribution business (“**the GTW transmission business**”). Further detail is provided in section 4.1 of the Phoenix High Pressure Operational Business Plan.

Safety requirements

Note: Full detail of Phoenix's safety requirements is provided within the Phoenix High Pressure Operational Business Plan.

- 15. Such particulars as will indicate whether any pipeline system through which the applicant would be authorised to convey gas if the application or extension were granted would be operated safely.*

During the detailed design process, all relevant transmission network related legislation, regulations, industry / safety standards and best practices will be identified and incorporated in draft policies, procedures and processes. Compliance will be reviewed and if necessary content formally risk assessed prior to updating by the GTW Operations Manager / the Asset Manager and authorised by the Commercial Operations Director or other appropriate Director.

Phoenix as a DNO has regularly engaged with HSENI and the Institution of Gas Engineers and Managers ("IGEM"), the recognised authority on technical standards for the gas industry, with regard to legislation, regulations and safety / technical standards and has also raised a number of compliance / technical queries. Additionally Phoenix has sought guidance / risk assessments from experienced industry experts / consultants to ensure correct interpretation of legal / safety / technical matters and the pursuit of better practices and delivering cost effective practical solutions. It is intended that this liaison process will also be adopted by Phoenix as a TSO.

Phoenix undertake periodic reviews of policies and procedures to verify currency and applicability and health check these through a combination of internal audit and external verification (e.g. the British Safety Council Five Star Audit), risk assessment and have also recently undergone a successful due diligence exercise associated with change in company ownership.

The above philosophy will remain for the GTW transmission business. Further detail is provided in section 5.3 of the Phoenix High Pressure Operational Business Plan.

- 16. Particulars of the applicant's proposed arrangements to secure the performance of any obligations in relation to escapes of gas imposed on him by Schedule 5 to the Order.*

Regulation 12 of the Pipelines Safety Regulations (NI) 1997 places duties on pipeline system operators to provide adequate arrangements for incidents and emergencies and to demonstrate the development and implementation of risk management

systems to reduce the risk of failure and to mitigate against the resulting effects and consequences.

Fulfilment of this duty will be met by Phoenix through compliance with the following:

- Regulation 23 Major Accident Prevention Document
- Regulation 24 Emergency Procedures
- Regulation 25 Emergency Plans In Case Of Major Accident
- Regulation 17 Co-operation

Further detail is provided at section 5.8 of the Phoenix High Pressure Operational Business Plan.

To maintain the safety of our existing network and build customer confidence, we must respond to reported gas escapes swiftly and confidently. We have a large experienced team of both engineers and non-engineers, who are “on call” outside their normal working hours to ensure responses around the clock.

Phoenix’s delivery of an effective emergency response service requires the cooperation of a diverse range of personnel with correct handling of incoming calls being fundamental to the process. All Phoenix staff are capable of taking receipt of gas emergency calls and issuing standard safety advice and have existing skills to handle and progress calls relating to the GTW HP Pipeline System should this prove necessary.

Phoenix’s control room currently undertakes monitoring of Phoenix’s distribution network including alarm alerts from pressure control equipment and act as the central point of contact for non-routine operations and interfacing with other Network Operators and NINEC during network incident situations. For the GTW HP Pipeline System the role of Phoenix’s control room will be expanded to incorporate secondary monitoring of GTW transmission operating data whilst retaining an interface role for Phoenix distribution. If necessary Phoenix’s control room will take on system operator duties taking responsibility for managing transmission operations and the associated emergency response functions.

Exclusive authority

17. Any exclusive authority to convey gas sought and justification for the conferral of such authority.

Phoenix seeks the exclusive authority to convey gas for five years for transmission as stated in paragraph 3.32 of the Applicant Information Pack.

- An exclusivity period prevents needless duplication of pipe laying which may jeopardise the long term viability of any conveyance project.
- Competing conveyance licence holders would be unlikely to have sufficient economies of scale to allow the development of less attractive areas, leading to reduced network coverage than with exclusivity.
- Further, exclusivity periods ensure a focus on developing the market, rather than dealing with competition issues.

A five year exclusivity period will allow Phoenix to develop the transmission network to meet demand and engineering needs, thereby maximising economies of scale.

Standard conditions

18. Any modification requested to any of the standard conditions for a gas conveyance licence and the grounds on which the applicant believes that any such modification:
- a. Is requisite to meet the circumstances of a particular case; and
 - b. Is such that no other holder of such a licence would be unduly disadvantaged by the making of the modification.

We do not expect to request any modifications to the standard conditions.

19. Particulars of the applicant's proposed arrangements for compliance with those standard conditions for a gas conveyance licence which are identified for this purpose.

Note: Full detail of Phoenix's compliance arrangements is provided within the Phoenix High Pressure Operational Business Plan.

As detailed in section 2.2 of the Phoenix High Pressure Operational Business Plan, Phoenix currently provides centralised corporate services to the whole Phoenix Group. Similar efficiencies can be achieved for the GTW transmission business by consolidating some of the functions within Phoenix for the existing and the GTW Licensed Areas and will ensure that the GTW transmission business benefits from the knowledge and experience of existing FTEs including Senior Managers and the Directors.

These functions are:

- a centralised corporate services department with responsibility for IT, Business Planning, Regulation, Finance, Contracts and Procurement, Risk Assurance and HR;
- a centralised Customer Services department;
- centralised Commercial Operations and Business Development management functions; and
- centralised Directors' functions.

Phoenix has already established accountability for regulatory affairs in its current organisation structure. As detailed in section 4.2 of the Phoenix High Pressure Operational Business Plan, ultimate responsibility rests with the Chief Executive Officer with the Commercial Operations Director being the Director accountable within the company. The Regulatory Manager, supported by the Business Planning Manager, is responsible for all strategic interaction with UR e.g.

- ensuring licence compliance;
- providing detailed analysis and supporting information for each price control review;
- submitting licence extension applications;
- submitting annual conveyance charges determinations; and
- submitting periodic reviews of Phoenix's Connection Policy.

These Senior Managers are supported by the Transportation Services Manager whose regulatory responsibilities, as detailed in section 5.4 of the Phoenix High Pressure Operational Business Plan, are largely operational.

These three Senior Managers have many years experience operating in Northern Ireland and interacting with UR. A pool of analysts provides support on both operational and strategic regulatory issues where required alongside their core work activities.

Phoenix proposes to utilise this existing organisational structure to manage the regulatory requirements and ensure accountability for regulatory affairs in the GTW transmission business.

Mutualisation

As noted in paragraph 7, in order to maintain the regulatory/bank security ring fence of Phoenix Natural Gas Ltd., Phoenix intends to assign the licence for the whole of the GTW Licensed Area granted under this application, to a separate company, Newco. Newco will initially be a wholly owned subsidiary of Phoenix Energy Holdings Limited and will trade under the Phoenix brand.

Phoenix would then intend to sell Newco to Mutual Energy as soon as practicable after gas starts to flow. Further detail is provided in section 2.1 of the Phoenix High Pressure Operational Business Plan.

In the unlikely event that such a sale did not progress, Phoenix would mutualise the GTW transmission business itself by setting up a new Mutualised Holding Company ("MHC") as a company limited by guarantee to which Newco would then be sold. Newco would be a wholly owned subsidiary of MHC. As UR is aware, Mutual Energy has previously utilised established principles to create such a company and therefore Phoenix would intend to follow the Mutual Energy model for the new MHC. Phoenix would envisage the sale of Newco into MHC following the same structures as for previous similar mutualisations including for example the previous mutualisation of Premier Transmission.

The governance arrangements around MHC would consist of a Board of Directors ultimately responsible for the management and governance of the mutual company and for furthering strategic and operational decisions. As stated above the constitutional structure of MHC would be that of a company limited by guarantee with effectively no shareholders, commonly known as “mutual”. The constitution of MHC would be set up so that its principal stakeholders would be the energy consumers of Northern Ireland and the financiers of its debt-financed subsidiaries (primarily Newco).

Its ultimate objective would be to deliver savings to consumers in Northern Ireland by providing a low cost of capital.

The Directors would be accountable to Members. As a company limited by guarantee, MHC would have no share capital and therefore no private shareholders. Individuals appointed as Members would not receive dividends nor would they have any other financial interest in MHC.

The Board would be accountable to Members for its management of MHC and therefore Members would be involved in reviewing the performance of the business. Experienced Non-Executive Directors would also be appointed to ensure the requisite corporate governance standards are maintained at all times by MHC.

The role of Members would be similar to that of shareholders in a public limited company, apart from Members having no financial interest in MHC. Members would be involved in approving such things as annual reports and accounts, appointment of auditors of MHC, any changes to MHC’s constitution and board remuneration.

Both Members and Non-Executive Directors of MHC would be selected on merit and against objective criteria and would have the necessary skills, expertise, industry experience and capacity to contribute to the key governance roles.

Fit and proper person

20. One of the following:—

- a. full particulars of all actual, pending or threatened regulatory enforcement actions that have been, are being, or are proposed to be taken by any competent authority against the applicant or any individuals listed in accordance with paragraph 6(b) (“relevant individuals”) or any parent undertaking, holding company or ultimate controller of the applicant; or
- b. a statement signed by a senior officer of the applicant confirming that there is no such actual, pending or threatened regulatory enforcement action.

21. One of the following:—

- a. full particulars of all criminal convictions of the applicant or any relevant individuals or any parent undertaking, holding company or ultimate controller of the applicant other than convictions for minor road traffic offences or in respect of which the convicted person has become rehabilitated under the Rehabilitation of Offenders (Northern Ireland) Order 1978 or the Rehabilitation of Offenders Act 1974; or
- b. a statement signed by a senior officer of the applicant confirming that there are no such convictions.

22. One of the following:—

- a. full particulars of all cautions given, prosecutions brought or threatened or any other action taken by a competent authority in respect of the applicant or any relevant individuals or any parent undertaking, holding company or ultimate controller of the applicant within the six years prior to the date of the application, in relation to any actual or alleged contravention of environmental (including town and country planning) legislation; or
- b. a statement signed by a senior officer of the applicant confirming that there have been no such actions.

23. One of the following:—

- a. full particulars of every application made by the applicant or any parent undertaking, holding company or ultimate controller of the applicant for a licence under the Order or the Electricity (Northern Ireland) Order 1992, or for any equivalent form of licence or authorisation in a jurisdiction other than Northern Ireland, where that application has been refused; or
- b. a statement signed by a senior officer of the applicant confirming that there have been no such refusals.

24. One of the following:—

- a. full particulars of every licence held by the applicant or any parent undertaking, holding company or ultimate controller of the applicant

under the Order or the Electricity (Northern Ireland) Order 1992, or any equivalent form of licence or authorisation in a jurisdiction other than Northern Ireland, which has been revoked or threatened to be revoked; or

b. a statement signed by a senior officer of the applicant confirming that there has been no such revocation or threat of revocation.

25. *One of the following:—*

a. full particulars of every instance of insolvency or corporate restructuring to which the applicant or any parent undertaking, holding company or ultimate controller of the applicant has been subject; or

b. a statement signed by a senior officer of the applicant confirming that there has been no such instance of insolvency or corporate restructuring.

26. *One of the following:—*

a. full particulars of all actual, pending or threatened recovery orders in relation to illegal State aid that have been made, are being made, or have been proposed by the European Commission in respect of the applicant or any parent undertaking, holding company or ultimate controller of the applicant; or

b. a statement signed by a senior officer of the applicant confirming that there have been no such actual, pending or threatened recovery orders.

Phoenix Statement

Phoenix can confirm that:

- there is no such actual, pending or threatened regulatory enforcement action as detailed under Section 20(a) of Schedule 2 Part 1 of The Gas (Applications for Licences and Extensions) (Amendment No. 2) Regulations (Northern Ireland) 2013;
- there are no such convictions as detailed under Section 21(a) of Schedule 2 Part 1 of The Gas (Applications for Licences and Extensions) (Amendment No. 2) Regulations (Northern Ireland) 2013;
- there have been no such actions as detailed under Section 22(a) of Schedule 2 Part 1 of The Gas (Applications for Licences and Extensions) (Amendment No. 2) Regulations (Northern Ireland) 2013;
- there have been no such refusals as detailed under Section 23(a) of Schedule 2 Part 1 of The Gas (Applications for Licences and Extensions) (Amendment No. 2) Regulations (Northern Ireland) 2013;

- there has been no such revocation or threat of revocation as detailed under Section 24(a) of Schedule 2 Part 1 of The Gas (Applications for Licences and Extensions) (Amendment No. 2) Regulations (Northern Ireland) 2013;
- there has been no such instance of insolvency or corporate restructuring as detailed under Section 25(a) of Schedule 2 Part 1 of The Gas (Applications for Licences and Extensions) (Amendment No. 2) Regulations (Northern Ireland) 2013; and
- there have been no such actual, pending or threatened recovery orders as detailed under Section 26(a) of Schedule 2 Part 1 of The Gas (Applications for Licences and Extensions) (Amendment No. 2) Regulations (Northern Ireland) 2013.

Signed: 

Name: **Michael McKinstry**

Position: **Group Finance Director**

Dated: 2 May 2014

**Companies (Northern Ireland) Orders 1986 to 1992
and the Companies Act 2006**

COMPANY LIMITED BY SHARES

MEMORANDUM

and

ARTICLES OF ASSOCIATION

of

PHOENIX NATURAL GAS LIMITED

**Certified a true copy of the updated Memorandum
and Articles of Association of the Company.**

Dated the 3rd day of November 2009

Signed: 
Director/Secretary

Companies (Northern Ireland) Orders 1986 to 1992

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

of

PHOENIX NATURAL GAS LIMITED

1. The name of the Company is Phoenix Natural Gas Limited*.
2. The registered office of the Company is to be situated in Northern Ireland.
3. The objects for which the Company is established are:
 - (A)
 - (i) To carry on all or any of the businesses of procurers, suppliers, distributors, transmitters, producers, manufacturers, processors, storers, carriers, importers and exporters of, and dealers in, natural and other gases, and any products derived from or connected with any of these activities;
 - (ii) To construct, lay, place, operate, use, inspect, maintain, improve, enlarge, alter, protect, repair, replace and remove, and to carry on works in respect of, pipes, lines, plant and equipment and facilities ancillary to the operation or use of such assets, and to acquire, operate and maintain the consents, authorisations, wayleaves, easements and other rights capable or possibly capable of facilitating the aforesaid;
 - (iii) To carry on all or any of the businesses of procurers, suppliers, distributors, producers, developers, manufacturers, purchasers, refiners, distillers, processors, converters, storers, carriers, importers and exporters of, explorers and prospectors for, and dealers in petroleum

* Formerly Belfast Gas Limited, the Company name was changed to Phoenix Distribution (Northern Ireland) Limited by written resolution in June 2007 and to Phoenix Natural Gas Limited by written resolution dated 21 May 2008.

and other hydrocarbons, natural and other gases, coal and other minerals, uranium and other nuclear fuel raw materials, and any other energy raw materials, chemicals, and products derived from or connected with any of them.

- (B) To carry on all or any of the businesses as aforesaid either as a separate business or as the principal business of the Company and to carry on any other business (whether manufacturing or otherwise) (except the issuing of policies of insurance) which may seem to the Company capable of being conveniently carried on in connection with the above objects or calculated directly or indirectly to enhance the value of or render more profitable any of the Company's property.
- (C) To acquire and undertake the whole or any part of the business, property and liabilities of any person or company carrying on any business which the Company is authorised to carry on, or possessed of property suitable for the purposes of the Company.
- (D) To amalgamate with any other company.
- (E) To apply for, purchase or otherwise acquire any patents, brevets d'invention, licences, concessions and the like conferring any exclusive or non-exclusive or limited rights to use or any secret or other information as to any invention which may seem capable of being used for any of the purposes of the Company or the acquisition of which may seem calculated directly or indirectly to benefit the Company, and to use, exercise, develop or grant licences in respect of or otherwise turn to account the property, rights or information so acquired.
- (F) To enter into partnership or into any arrangement for sharing profits, union of interests, co-operation, joint venture, reciprocal concession or otherwise with any person or company carrying on or engaged in or about to carry on or engage in any business or transaction which the Company is authorised to carry on or engage in or any business or transaction capable of being conducted so as directly or indirectly to benefit this Company.
- (G) To take or otherwise acquire and to hold shares and securities of any company and to sell, hold, reissue with or without guarantee or otherwise deal with the same.
- (H) To enter into any arrangements with any governments or authorities, supreme, municipal, local or otherwise, that may seem conducive to the Company's objects or any of them and to obtain from any such government or authority any rights, privileges and concessions which the Company may think it

desirable to obtain and to carry out, exercise and comply with any such arrangements, rights, privileges and concessions.

- (I) To establish and support or aid in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit directors and ex-directors, employees or ex-employees of the Company or the dependants or connections of such persons, and to grant pensions and allowances and to do any acts or things or make any arrangements or provisions enabling employees of the Company or other persons aforesaid to become shareholders in the Company, or otherwise to participate in the profits of the Company upon such terms and in such manner as the Company thinks fit, and to make payments towards insurance and to subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object, or any other object whatsoever which the Company may think advisable.
- (J) To promote any company or companies for the purpose of acquiring all or any of the property and liabilities of this Company or for any other purpose which may seem directly or indirectly calculated to benefit this Company.
- (K) Generally to purchase, take on lease or in exchange, hire or otherwise acquire any real and personal property and any rights or privileges which the Company may think necessary or convenient for the purposes of its business.
- (L) To develop and turn to account any land acquired by the Company or in which it is interested and in particular by laying out and preparing the same for building purposes, constructing, altering, pulling down, decorating, maintaining, fitting up and improving buildings and conveniences and by planting, paving, draining, farming, cultivating, letting or building leases or building agreement and by advancing money to and entering into contracts and arrangements of all kinds with builders, tenants and others.
- (M) To construct, maintain and alter any building or works necessary or convenient for any of the purposes of the Company or for the benefit of its employees.
- (N) To construct, improve, maintain, develop, work, manage, carry out or control any roads, ways, tramways, railways, branches or sidings, bridges, reservoirs, watercourses, wharves, manufactories, warehouses, electric works, shops, stores and other works and conveniences which may seem calculated directly or indirectly to advance the Company's interest and to contribute to, subsidise or otherwise assist or take part in the construction, improvement, maintenance, working, management, carrying out or control thereof.

- (O) To invest and deal with the moneys of the Company not immediately required in such manner as may from time to time be determined.
- (P) To lend money or give credit to such persons or companies either with or without security and upon such terms as may seem expedient and in particular to customers and others having dealings with the Company and to guarantee and give indemnities in respect of and otherwise secure the performance of contracts by any such persons or companies.
- (Q) To engage in currency exchange and interest rate transactions including, but not limited to, dealings in foreign currency, spot and forward rate exchange contracts, futures, options, forward rate agreements, swaps, caps, floors, collars and any other foreign exchange or interest rate hedging arrangements and such other instruments as are similar to, or derived from, any of the foregoing whether for the purpose of making a profit or avoiding a loss or managing a currency or interest rate exposure or any other exposure or for any other purpose.
- (R) To receive money on deposit or loan and borrow or raise money in such manner as the Company shall think fit and in particular by the issue of debentures or debenture stock, perpetual or otherwise, and to secure the repayment of any money borrowed, raised or owing by mortgage, charge or lien upon all or any of the property or assets of the Company both present and future, including its uncalled capital, and also by a similar mortgage, charge or lien to secure and guarantee the performance by the Company or any other person or company of any obligation undertaken by the Company, and to purchase, redeem or pay off any such securities.
- (S) To guarantee, support or secure, whether by personal covenant (including any indemnity) or by mortgaging or charging all or any part of the undertaking, property and assets (both present and future) and uncalled capital of the Company, or by indemnity or undertaking, or by any one or more of such methods, the performance of the obligations of, and the repayment or payment of the principal amounts of and premiums, interest and dividends on any securities of, indebtedness or obligation of any person, firm or company including (without prejudice to the generality of the foregoing) any company which is for the time being the Company's holding company or subsidiary as defined by Article 4 of The Companies (Northern Ireland) Order 1986, or another subsidiary as defined by the said section of the Company's holding company or otherwise associated with the Company in business.
- (T) To remunerate any person or company for services rendered or to be rendered in placing or assisting to place or guaranteeing the placing of any of the shares

of the Company's capital or any debentures, debenture stock or other securities of the Company or in or about the formation or promotion of the Company or the conduct of its business.

- (U) To draw, make, accept, endorse, discount, negotiate, execute and issue promissory notes, bills of exchange, bills of lading, warrants, debentures and other negotiable or transferable instruments.
- (V) To undertake and execute any trusts the undertaking whereof may seem desirable and either gratuitously or otherwise.
- (W) To sell or dispose of the undertaking of the Company or any part thereof for such consideration as the Company may think fit, and in particular for shares, debentures or securities of any other company having objects altogether or in part similar to those of this Company.
- (X) To adopt such means of making known the products of the Company as may seem expedient and in particular by advertising in the press, by circulars, by purchase and exhibition of works of art or interest, by publication of books and periodicals and by granting prizes, rewards and donations.
- (Y) To apply for, promote and obtain any Act of Parliament, charter, privilege, concession, licence or authorisation of any government, state or municipality, provisional order or licence of any Government Department or other authority for enabling the Company to carry any of its objects into effect or for effecting any modification of the Company's constitution or for any other purpose which may seem expedient and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the Company's interests.
- (Z) To procure the Company to be registered or recognised in any country or place.
- (AA) To sell, improve, manage, develop, exchange, lease, mortgage, enfranchise, dispose of, turn to account or otherwise deal with all or any of the property and rights of the Company.
- (BB) To promote freedom of contract, and to resist, insure against, counteract and discourage interference therewith, to join any lawful federation, union or association, or do any other lawful act or thing with a view to preventing or resisting directly or indirectly any interruption of or interference with the Company's or any other trade or business or providing or safeguarding against the same, or resisting or opposing any strike, movement or organisation which

may be thought detrimental to the interests of the Company or its employees and to subscribe to any association or fund for any such purposes.

- (CC) To make gifts or grant bonuses to the directors or any other persons who are or have been in the employment of the Company including substitute and alternate directors.
- (DD) To grant, convey, transfer or otherwise dispose of any property or asset of the Company of whatever nature or tenure for such price, consideration, sum or other return whether equal to or less than the market value thereof and whether by way of gift or otherwise as the directors shall deem fit and to grant any fee farm grant or lease or to enter into any agreement for letting or hire of any such property or asset for a rent or return equal to or less than the market or rack rent therefore or at no rent and subject to or free from covenants and restrictions as the directors shall deem appropriate.
- (EE) To insure the life of any person who may, in the opinion of the Company, be of value to the Company as having or holding for the Company interests, goodwill or influence or other assets and to pay the premiums on such insurance.
- (FF) To do all or any of the above things in any part of the world, and as principals, agents, contractors, trustees or otherwise and by or through trustees, agents or otherwise and either alone or in conjunction with others.
- (GG) To distribute any of the property of the Company in specie among the members.
- (HH) To do all such other things as the Company may think incidental or conducive to the attainment of the above objects or any of them.

NOTE: It is hereby declared that:

- (a) the word "company" in this clause 3, except where used in reference to this Company, shall be deemed to include any partnership or other body of persons whether incorporated or not incorporated and whether domiciled in Northern Ireland or elsewhere; and
- (b) the intention is that the objects specified in each paragraph in this clause 3 shall, except where otherwise expressed in such paragraph, be separate and distinct objects of the Company and shall not be in any way limited or restricted by reference to or inference from the terms of any other paragraph or the order in which the paragraphs of this clause occur or the name of the Company.

4. The liability of the members is limited.

WE, the several persons whose names, addresses and descriptions are subscribed, wish to be formed into a Company in pursuance of this memorandum of association, and we agree to take the number of shares in the capital of the Company set opposite our respective names.

Names, addresses and descriptions of Subscribers	Number of shares taken by each subscriber
Mark Edwards Beechanger 18 Angel Meadows Odiham, Hants RG29 1AR Company Secretary	One Ordinary Share
John Edward Henry 155 Cannon Lane Pinner, Middlesex HAS 1HV Company Secretary	One Ordinary Share
TOTAL SHARES TAKEN:	TWO

Dated the 30th day of July 2007

Witness to the above signatures:

Kathy Barley
100 Thames Valley Park Drive
Reading
Berkshire

**Companies (Northern Ireland) Orders 1986 to 1992
and the Companies Act 2006**

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

PHOENIX NATURAL GAS LIMITED

PRELIMINARY

1. The regulations contained in Table A in the Schedule to the Companies (Tables A to F) Regulations (Northern Ireland) 1986 (S.R. 1986 no. 264) as amended by the Companies (Tables A to F) (Amendment) Regulations (Northern Ireland) 2007 (S.R. 2007 No. 394) and the Companies (Tables A to F) (Amendment No. 2) Regulations (Northern Ireland) 2007 (S.R. 2007 No. 425) (with the exception of regulations 24, 64, 81, 89, 95 and 118) shall apply to the Company subject to the alterations thereof contained herein and shall so far as not inconsistent herewith bind the Company and the members. The said regulations contained in the said Table A are hereinafter referred to as "Table A".
2. In these articles and in Table A, the "Order" means the Companies (Northern Ireland) Order 1986 and any statutory modification or re-enactment for the time being in force thereof and any provisions of the Companies Act 2006 for the time being in force.

LIMITED LIABILITY

3. The liability of the members is limited.

SHARE CAPITAL

4. Without prejudice to any special rights previously conferred on the holders of existing shares, any share (including shares which the Company shall have power to issue
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- Formerly Belfast Gas Limited, the Company name was changed to Phoenix Distribution (northern Ireland) Limited by written resolution in June 2007 and changed to Phoenix Natural Gas Limited by written resolution dated 21 May 2008.

under Article 169 of the Order or otherwise) may be issued with such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, voting, return of share capital or otherwise, as the Company may from time to time determine and any share may be issued on the terms that it is redeemable or at the option of the Company is liable to be redeemed. Subject to the provisions of the aforementioned Order, the redemption of such shares may be effected in such manner as the directors may from time to time determine.

TRANSFER OF SHARES

5.

- (a) No share in the capital of the Company may be transferred without the approval of the directors who may, in their absolute discretion and without assigning any reason, decline to register any transfer of any share, whether or not it is a fully paid share.
- (b) Notwithstanding anything contained in these Articles, provided that the Department of Enterprise, Trade and Investment (or such other successor or replacement authority, agency or body as may, from time to time be relevant) has not objected to the transfer of shares to the Secured Institution (as defined below) the Directors shall promptly register any transfer of shares, and may not suspend registration thereof, where such transfer:-
 - (i) is to the bank or institution to which such shares have been charged by way of security, whether as agent and trustee for a group of banks or institutions or otherwise, or to any nominee or any transferee of such a bank or institution (in each case, as applicable, a "Secured Institution");
 - (ii) is delivered to the Company for registration by a Secured Institution or its nominee in order to register the Secured Institution as legal owner of the shares;
 - (iii) is executed by a Secured Institution or its nominee pursuant to the power of sale or other power under such security following enforcement of same and in accordance with and subject to the terms of the relevant security agreement, and furthermore, notwithstanding anything to the contrary contained in these articles, no transferor of any shares in the Company or proposed transferor of such shares to a Secured Institution or its nominee and no Secured Institution or its nominee in accordance with this Article 5(b), shall be required to offer the shares which are or are to be the subject of any transfer as aforesaid to the shareholders for the time being of the Company or any of them,

and no such shareholder shall have any right under these articles or otherwise howsoever to require such shares to be transferred to them whether for consideration or not;

and the Directors be and are hereby authorised to transfer shares pursuant to this Article 5(b) as if any pre-emption rights contained in the Articles of Association of the Company or otherwise, did and do not apply to such transfer.

- (c) No resolution shall be proposed or passed the effect of which would be to delete or amend Article 5(b) of these Articles of Association or to insert another provision(s) which would contradict or frustrate the intent of Article 5(b) of these Articles of Association unless the consent of any Secured Institution (from time to time) has consented in writing to such deletion or amendment of this Article 5(b) or insertion of such other provision(s).

MEETINGS OF THE COMPANY

6.

- (a) An annual general meeting and a meeting called for the passing of a special resolution shall be called by 21 days' notice in writing at the least and a meeting of the Company (other than an annual general meeting or a meeting for the passing of a special resolution) shall be called by fourteen days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the day, the place and the hour of the meeting and in the case of special business the general nature of that business, and shall be given in a manner authorised by these regulations to such persons as are under the regulations of the Company entitled to receive such notices from the Company, so, however, that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this article, be deemed to have been duly called, if it is so agreed:
- (i) in the case of a meeting called as an annual general meeting, by all the members entitled to attend and vote thereat; and
 - (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.

Regulation 38 of Table A shall be modified accordingly.

- (b) All meetings (including annual extraordinary general and class meetings of the members of the Company) may be conducted by the use of a conference telephone or similar facility provided that all the members of the Company and the auditors have been notified of the convening of the meeting and the availability of the conference telephone or similar facility for the meeting and can hear and contribute to the meeting and such participation in a meeting shall constitute presence in person at the meeting and the members may be situated in any part of the world for any such meeting.
7. Subject to the provisions of the Order a resolution in writing signed by all of the members for the time being entitled to attend and vote on such resolutions at a general meeting (or being bodies corporate by their duly authorised representatives) or a resolution which has been approved by each member by confirmatory telex or facsimile transmission shall be as valid and effective for all purposes as if the resolution had been passed at a general meeting of the Company duly convened and held, and may consist of several documents in like form, each signed by one or more members.

DIRECTORS

8. Unless otherwise determined by an ordinary resolution of the Company the minimum number of directors shall be one and there shall be no maximum number.

PROCEEDINGS OF DIRECTORS

9. Provided that a director declares his interest in a contract or arrangement or proposed contract or arrangement with the Company in the manner provided by Article 325 of the Order he shall be counted in the quorum of any meeting of directors at which the same is considered and shall be entitled to vote as a director in respect thereof. Regulation 94 of Table A shall be modified accordingly.
10. The directors may exercise the voting powers conferred by the shares of any other company held or owned by the Company in such manner in all respects as they think fit and in particular they may exercise the voting powers in favour of any resolution appointing the directors or any of them as directors or officers of such other company or providing for the payment of remuneration or pensions to the directors or officers of such other company. Any director of the Company may vote in favour of the exercise of such voting rights notwithstanding that he may be or may be about to become a director or officer of such other company.
11. In Regulation 93 of Table A the words "or a resolution which has been approved by each such director by confirmatory telex or facsimile transmission" shall be deemed to be inserted after the introductory words "A resolution in writing signed by all the

directors entitled to receive notice of a meeting of directors or of a committee of directors”.

12. The quorum necessary for the transaction of the business of the directors shall, except when one director only is in office, be two directors present in person or by alternate, but so that, except as hereinafter provided, not less than two individuals shall be present. Provided that any director (or his alternate) may participate in a meeting or the directors by means of telephonic or other similar communication whereby all persons participating in the meeting can hear each other speak; and participation in a meeting in this manner shall be deemed to constitute presence in person (or as the case may be, by alternate) at such meeting and any director (or his alternate) may be situated in any part of the world for any such meeting. When one director only is in office he shall have and may exercise all the powers and authorities in and over the affairs of the Company as are conferred on the directors by these articles.
13. When forming a committee of the directors, the directors may authorise, or may authorise such committee to authorise, any person who is not a director to attend all or any meetings of any such committee on such terms as the directors (or as the case may be such committee) shall think fit, but any person so authorised shall not be entitled to vote at such meetings.

ALTERNATE DIRECTOR

14.
 - (a) A director may, with the approval of the directors, appoint any person to be his alternate director and at his own discretion may remove such person from office as his alternate director.
 - (b) The alternate director shall be subject in all respects to the terms and conditions existing with reference to the other directors and shall be entitled to receive notices of all meetings of the directors and to attend, speak and vote at any such meeting at which his appointor is not present.
 - (c) One person may act as an alternate director to more than one director and while he is so acting shall be entitled to a separate vote for each director he is representing and, if he is himself a director, his vote or votes as an alternate director shall be in addition to his own vote.
 - (d) Any appointment or removal of an alternate director shall be in writing signed by the director making such appointment or removal and shall be served on the Company.

- (e) If a director shall cease to be a director for any reason then any person holding office as alternate director for that director shall cease ipso facto to hold such office.
- (f) An alternate director shall not be taken into account in reckoning the minimum or maximum number of directors allowed for the time being, but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the directors attended by him at which he is entitled to vote.
- (g) Regulations 65 to 69 inclusive of Table A shall be modified accordingly.

DISQUALIFICATION OF DIRECTORS

15. The office of a director shall be vacated ipso facto:
- (a) if he ceases to be a director by virtue of any provision of the Order or he becomes prohibited by law from being a director;
 - (b) if he becomes bankrupt or insolvent or makes any arrangement or composition with his creditors generally;
 - (c) if he is a person of unsound mind;
 - (d) if he is absent from the meetings of the directors during a period of six successive calendar months without special leave of absence from the other directors, but this shall not apply to directors who are not ordinarily resident in Northern Ireland;
 - (e) if he is requested in writing by all his co-directors to resign;
 - (f) if he resigns his office by notice in writing served on the Company;
 - (g) if he resigns his office by spoken declaration at any board meeting and such resignation is accepted by resolution of that meeting, in which case such resignation shall take effect at the conclusion of such meeting.

ROTATION OF DIRECTORS

16. The directors shall not retire by rotation and regulations 73 to 77 inclusive of Table A shall not apply and Regulation 78 shall be modified accordingly.

EXECUTIVE DIRECTOR

17. The directors from time to time may appoint any person (not being a director) to the office of "Executive Director" for such period and on such terms as they think fit, and fix, determine and vary his duties, powers and functions. The directors may revoke

such appointment, but without prejudice to any claim such Executive Director may have for damages for breach of any contract of service between him and the Company. An Executive Director shall not be a member of the board of directors or any committee of directors, he shall not attend meetings of directors except on the invitation of the board and he shall not be entitled to vote at any meeting of directors.

NOTICES

18.

- (a) Any notice required to be given by the Company to any person ("the recipient") under these articles may be given by means of delivery, post, cable, telegram, telex, telefax, electronic mail or any other means of communication approved by the directors, to the address or number of the recipient notified to the Company by the recipient for such purpose (or, if not so notified, then to the address or number of the recipient last known to the Company). Any notice so given shall be deemed, in the absence of any agreement to the contrary between the Company and the recipient, to have been served at the time of delivery (or, if delivery is refused, then when tendered) in the case of delivery, at the expiration of 24 hours after despatch in the case of post, cables and telegrams and at the expiration of 12 hours after despatch in the case of telex, telefax, electronic mail or other method of communication approved by the directors.
- (b) Any document (including, but not limited to, any notice, appointment, removal and resolution) required or authorised by these articles to be sent to or served on the Company shall be in writing sent to or served on the Company at its registered office or its principal place of business in Northern Ireland, and may be sent or served by means of delivery, post, cable, telegram, telex, telefax, electronic mail or any other means of communication approved by the directors, and may bear a printed or facsimile signature of the person or persons required by these articles to sign such document. The communication of such a document by such means shall be confirmed as soon as possible by delivery to the Company at its registered office or principal place of business in Northern Ireland of such document bearing an original signature of the person by whom it is required to be signed but (provided that the directors are satisfied as to the authenticity of the document communicated as aforesaid) shall be acted upon by the Company and the directors meanwhile; provided that any such document shall be valid and effective for all purposes notwithstanding that for any reason the document is not subsequently so confirmed. Any such document shall take effect, in the absence of any agreement to the contrary between the Company and the person by whom or on whose behalf the document was sent or served, at the time of receipt in the case of delivery and post, and at the expiration of six hours after receipt

thereof at the Company's registered office or principal place of business in Northern Ireland in any other case.

INDEMNITY

19. Subject to the provisions of the Order, but without prejudice to any indemnity to which a director may otherwise be entitled, every director of the Company shall be indemnified by the Company against, and it shall be the duty of the directors out of the funds of the Company to pay, all costs, losses and expenses which any such director may incur or become liable to by reason of any contract entered into or any act or thing done by him as such director or in any way in the discharge of his duties. And no director shall be liable for the acts, receipts, neglects or defaults of any other director or officer, or for joining in any receipt or other act for conformity, or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the directors for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be vested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act by any person with whom any moneys securities or effects shall be deposited, for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of this office or in relation thereto unless the same happen through his own wilful act or default.

Names, addresses and descriptions of Subscribers

Mark Edwards
Beechanger
18 Angel Meadows
Odiham, Hants
RG29 1AR

Company Secretary

John Edward Henry Griffin
155 Cannon Lane
Pinner
Middlesex
HA5 1HV

Company Secretary

Dated the 30th day of July 2007

Witness to the above signatures:

Kathy Barley
100 Thames Valley Park Drive
Reading
Berkshire



Strictly Private & Confidential

Phoenix Natural Gas Limited (“PNGL”)
197 Airport Road
West Belfast
BT3 9ED
Northern Ireland

30th April 2014

Dear Sirs,

PROVISION OF SUPPORT IN RELATION TO THE GAS TO THE WEST DISTRIBUTION AND TRANSMISSION LICENCE APPLICATIONS

We, Commonwealth Bank of Australia (“CBA” or the “Bank”) are pleased to provide PNGL with this letter of support in connection with PNGL’s applications for the Gas to the West Distribution and Transmission licences (the “**Licence Applications**”). We recognise that this letter is an important part of your Licence Applications to the Northern Ireland Authority for Utility Regulation (“**NIAUR**”) and that it will therefore be disclosed to the NIAUR to demonstrate our strong support of your Licence Applications and your future role in the development, construction and operation of the proposed distribution and transmission networks.

We consider PNGL to be a highly credible applicant with extensive and highly relevant experience in gas network construction and operation in Northern Ireland. We look forward to working with PNGL on this exciting project. In addition we have a strong relationship with PNGL’s ultimate shareholders and manager Hastings.

We hereby confirm that we have discussed with senior members of our credit and management teams details of the Licence Applications and have received their preliminary support to submit this letter of support to participate in a debt financing package of up to c. 40% of the development costs for the distribution network and up to c. 75% of the transmission network. This is based upon the capital expenditure requirements detailed by the NIAUR in the Gas Network Extensions in Northern Ireland, Gas to the West: Applicant Information Pack dated 6th February 2014 (the “**Information Pack**”). Specifically, the NIAUR has estimated that the development costs of the two networks will be as follows:

- £97.24m for the high pressure transmission pipeline (in December 2013 prices) which PNGL has estimated as equivalent to £107.4m in nominal prices; and
- £60m for the low pressure distribution pipeline (in December 2013 prices) which PNGL has estimated as equivalent to £74.2m in nominal prices

We anticipate holding up to 50% of the total committed facilities.

We also confirm that we have read and considered the Information Pack and a summary of PNGL's business plans for its Licence Applications.

We understand that, if PNGL is identified by the NIAUR as the preferred bidder during August 2014 we will be required to conduct due diligence and undertake our structuring and credit approval processes thereafter. We agree to negotiate in good faith with a view to agreeing mutually acceptable commercial terms and documents as soon as reasonably practicable at such time as PNGL is identified as preferred bidder and to dedicate the reasonably required internal resources to achieve this in line with PNGL's timetable.

CBA has significant knowledge and experience in regulated utility financings and project financings of greenfield pipelines in the European market and overseas. This level of experience is clearly demonstrated by our lead role in the following transactions:

- Phoenix Natural Gas – MLA and Swap Bank
- Thames Water – MLA
- Fortum Norway – MLA and Swap bank for under bidder
- Fortum Finland – MLA and Swap bank
- Elenia Oy – MLA
- Inexus Connections – MLA
- Anglian Water – MLA
- Yorkshire Water – MLA
- Western Power – MLA
- Open Grid Europe – MLA and Swap Bank for under bidder

CBA has allocated a dedicated core transaction team with sufficient experience and resources to support your Licence Applications. [REDACTED] will be leading the transaction on behalf of CBA and the NIAUR and its advisors are authorised to contact [REDACTED] as required, using the following contact details:

Name: [REDACTED]
Title: AD, Utilities
Address: Senator House, 85 Queen Victoria St, London EC4V 4HA
Phone: 0207 710 3595
Email: [REDACTED]@cba.com.au

This letter (and the statements contained herein) is confidential and provided without legal responsibility on our part and solely for your information for the purposes of your consideration of the proposed Licence Applications. As you will appreciate, it does not constitute an offer or commitment to provide, arrange or underwrite or participate in any

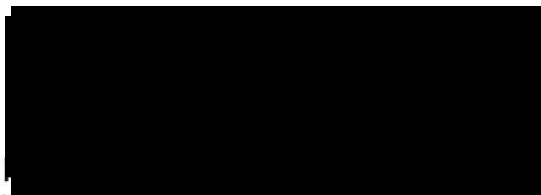
financing on behalf of CBA or its affiliates. The provision of any such financing will be subject to, inter alia: (i) satisfactory completion of due diligence; (ii) execution of satisfactory transaction documentation; (iii) satisfaction of conditions precedent; and (iv) final credit and any other required internal approvals.

This letter must not be disclosed by you to any person or entity except: (i) your affiliates and your employees, legal and financial advisers; and (ii) the NIAUR and its employees, legal and financial advisers, in each case on a confidential and non-reliance basis. We agree that neither you, we, nor any of our affiliates, shall make any announcement relating to the financing of, or otherwise relating to, the Licence Applications without the prior consent of PNGL.

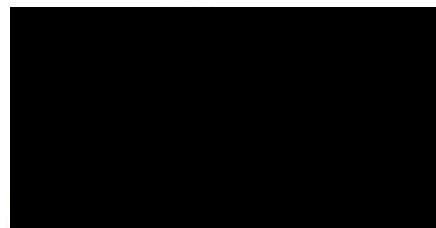
You acknowledge that you are acting for your own account and are not relying on us for investment advice and/or a recommendation as to the commercial reasonableness of your Licence Applications. Unless expressly provided to the contrary in this letter, a person who is not a party to this letter has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this letter.

Yours faithfully

Commonwealth Bank of Australia



Title: AD, Utilities
Date: 29th April 2014



Director, Infrastructure

Infrastructure and Energy Finance
10 Gresham Street
London
EC2V 7AE

Strictly Private & Confidential

Phoenix Natural Gas Limited ("PNGL")
197 Airport Road
West Belfast
BT3 9ED
Northern Ireland

29th April 2014

Dear Sirs,

PROVISION OF SUPPORT IN RELATION TO THE GAS TO THE WEST DISTRIBUTION AND TRANSMISSION LICENCE APPLICATIONS

We, Lloyds Bank plc ("Lloyds" or the "Bank") are pleased to provide PNGL with this letter of support in connection with PNGL's applications for the Gas to the West Distribution and Transmission licences (the "**Licence Applications**"). We recognise that this letter is an important part of your Licence Applications to the Northern Ireland Authority for Utility Regulation ("**NIAUR**") and that it will therefore be disclosed to the NIAUR to demonstrate our support of your Licence Applications and your future role in the development, construction and operation of the proposed distribution and transmission networks, subject to the contents of this letter.

We consider PNGL to be a credible applicant with extensive and highly relevant experience in gas network construction and operation in Northern Ireland. We look forward to working with PNGL on this exciting project. In addition we have a strong relationship with PNGL's ultimate shareholders and manager Hastings.

- We hereby confirm that we have discussed with senior members of our management team and have received their preliminary support to submit this letter of support to seek to fund up to a maximum of c. £ 60m of the development costs for the distribution network and the transmission network. This is based upon the capital expenditure requirements detailed by the NIAUR in the Gas Network Extensions in Northern Ireland, Gas to the West: Applicant Information Pack dated 6th February 2014 (the "**Information Pack**").

As at the date of this letter and subject to the conditions set out below, we anticipate holding up to 50% of the total committed facilities.

www.lloydsbankcommercial.com

Please contact us if you'd like this in Braille, large print or audio tape.

Calls may be monitored or recorded in case we need to check we have carried out your instructions correctly and to help improve our quality of service.
Lloyds Bank plc Registered office: 25 Gresham Street, London, EC2V 7HN. Registered in England and Wales no. 2065.
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
Licensed under the Consumer Credit Act 1974 under registration numbers 0004685. We subscribe to The Lending Code; copies of the Code can be obtained from www.lendingstandardsboard.org.uk
Lloyds Bank plc is covered by the Financial Services Compensation Scheme and the Financial Ombudsman Service.
(Please note that due to the schemes' eligibility criteria not all Lloyds Commercial customers will be covered by these schemes.)

We also confirm that we have read and considered the Information Pack and a summary of PNGL's business plans for its Licence Applications.

We understand that, if PNGL is identified by the NIAUR as the preferred bidder during August 2014 we will be required to conduct due diligence and undertake our structuring and credit approval processes thereafter. We agree to negotiate in good faith with a view to agreeing commercial terms and documents as soon as reasonably practicable at such time as PNGL is identified as preferred bidder and to dedicate the reasonably required internal resources to achieve this in line with PNGL's timetable.

Lloyds is a leading lender to the Regulated Utilities sector, banking over 90% of UK regulated utilities companies comprising of water companies, sewerage companies, gas networks and electricity distribution networks. Examples of Lloyds' leading position in the regulated gas sectors are as follows, Lloyds:

- Is a core lending bank to all 8 gas networks in England, Wales & Scotland and provides a range of additional financial services
- Acted as a lead bank on the recent acquisition of Firmus Energy by iCon
- Acted as a lead bank on CKI's acquisition of Wales & West and Northern Gas Networks
- Supports the gas transmission network through our lending to National Grid

Lloyds has allocated a core transaction team with sufficient experience and resources to support your Licence Applications. [REDACTED] will be leading the transaction on behalf of Lloyds and the NIAUR and its advisors are authorised to contact [REDACTED] as required, using the following contact details:

Name: [REDACTED]
Title: Director, Infrastructure & Energy
Address: 10 Gresham Street, London EC2V 7AE
Phone: 0207 158 8351
Email: [REDACTED]@lloydsbanking.com

This letter (and the statements contained herein) is confidential and provided without legal responsibility on our part and solely for your information for the purposes of your consideration of the proposed Licence Applications. This letter is not intended to create any legal relationship between you and Lloyds and any other person whatsoever and we do not assume a duty of care or any liability or responsibility to any person in respect of the issuance of this letter. As you will appreciate, it does not constitute an offer or commitment to provide, arrange or underwrite or participate in any financing on behalf of Lloyds or its affiliates. The provision of any such financing will be subject to, inter alia: (i) satisfactory completion of due diligence; (ii) execution of satisfactory transaction documentation; (iii) satisfaction of conditions precedent; and (iv) credit and any other required internal approvals.

This letter must not be disclosed by you to any person or entity except: (i) your affiliates and your employees, legal and financial advisers; and (ii) the NIAUR and its employees, legal and financial advisers, in each case on a confidential and non-reliance basis. We agree that neither you, we, nor any of our affiliates, shall make any announcement relating to the financing of, or otherwise relating to, the Licence Applications without the prior consent of PNGL.

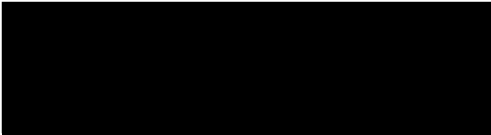
You acknowledge that you are acting for your own account and are not relying on us for investment advice and/or a recommendation as to the commercial reasonableness of your Licence Applications. Unless expressly provided to the contrary in this letter, a person who is not a party to this letter has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this letter.

Lloyds is not a credit reference agency within the terms of Section 145(8) of the Consumer Credit Act, 1974, and is not obliged to disclose the source of any matters of fact or opinion set out in this letter.

This letter and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts.

Yours faithfully

Lloyds Bank plc



Name: 
Title: Director, Infrastructure & Energy
Date: 29th April 2014

Strictly Private & Confidential

Phoenix Natural Gas Limited (“**PNGL**”)
197 Airport Road
West Belfast
BT3 9ED
Northern Ireland

National Australia Bank Limited
ABN 12 004 044 937

88 Wood Street
London EC2V 7QQ
UNITED KINGDOM

29th April 2014

Dear Sirs,

PROVISION OF SUPPORT IN RELATION TO THE GAS TO THE WEST DISTRIBUTION AND TRANSMISSION LICENCE APPLICATIONS

We, National Australia Bank Limited (“**NAB**” or the “**Bank**”) are pleased to provide **PNGL** with this letter of support in connection with **PNGL**’s applications for the Gas to the West Distribution and Transmission licences (the “**Licence Applications**”). We recognise that this letter is an important part of your Licence Applications to the Northern Ireland Authority for Utility Regulation (“**NIAUR**”) and that it will therefore be disclosed to the **NIAUR** to demonstrate our strong support of your Licence Applications and your future role in the development, construction and operation of the proposed distribution and transmission networks.

We consider **PNGL** to be a highly credible applicant with extensive and highly relevant experience in gas network construction and operation in Northern Ireland. We look forward to working with **PNGL** on this exciting project. In addition we have a strong relationship with **PNGL**’s ultimate shareholders and manager Hastings.

We hereby confirm that we have discussed with senior members of our management team details of the Licence Applications and have received their preliminary support to submit this letter of support to participate in a debt financing package of up to c. 45% of the development costs for the distribution network and up to c. 65% of the transmission network. This is based upon the capital expenditure requirements detailed by the **NIAUR** in the Gas Network Extensions in Northern Ireland, Gas to the West: Applicant Information Pack dated 6th February 2014 (the “**Information Pack**”). Specifically, the **NIAUR** has estimated that the development costs of the two networks will be as follows:

- £97.24m for the high pressure transmission pipeline (in December 2013 prices) which **PNGL** has estimated as equivalent to £107.4m in nominal prices; and
- £60m for the low pressure distribution pipeline (in December 2013 prices) which **PNGL** has estimated as equivalent to £74.2m in nominal prices

We anticipate holding at least one half of the total committed facilities.

We also confirm that we have read and considered the Information Pack and a summary of PNGL's business plans for its Licence Applications.

We understand that, if PNGL is identified by the NIAUR as the preferred bidder during August 2014 we will be required to conduct due diligence and undertake our structuring and credit approval processes thereafter. We agree to negotiate in good faith with a view to agreeing mutually acceptable commercial terms and documents as soon as reasonably practicable at such time as PNGL is identified as preferred bidder and to dedicate the reasonably required internal resources to achieve this in line with PNGL's timetable.

NAB has significant knowledge and experience in regulated utility financings and project financings of greenfield pipelines in the European market and overseas. This level of experience is clearly demonstrated by our lead role in the following transactions:

- Sole Mandated Lead Arranger of £140 million in various Term Loan, RCF and Capex Facilities for Phoenix Natural Gas in support of its sale process;
- Mandated Lead Arranger of £157 million in various Term Loan, RCF and Capex Facilities for Utilities Trust of Australia and the RBS Group Pension Fund in their acquisition of Phoenix Natural Gas;
- Mandated Lead Arranger of £700 million in various Term Loan, Working Capital and Capex Facilities for Brookfield Utilities UK upon its merging of the Inexus and GTC utilities connections businesses;
- Mandated Lead Arranger of £652 million in various Acquisition Facilities for Affinity Water in its acquisition of Veolia Environnement's regulated UK water businesses; and
- Mandated Lead Arranger of £161 million in various Term Loan Facilities for East Surrey Pipelines.

NAB has allocated a dedicated core transaction team with sufficient experience and resources to support your Licence Applications. [REDACTED] will be leading the transaction on behalf of NAB and the NIAUR and its advisors are authorised to contact [REDACTED] as required, using the following contact details:

Name: [REDACTED]
Title: Director, Energy & Infrastructure Finance UK
Address: 88 Wood Street, London, EC2V 7QQ
Phone: 020 7710 1931
Email: [REDACTED]@eu.nabgroup.com

This letter (and the statements contained herein) is confidential and provided without legal responsibility on our part and solely for your information for the purposes of your consideration of the proposed Licence Applications. As you will appreciate, it does not constitute an offer or commitment to provide, arrange or underwrite or participate in any financing on behalf of [name] or

its affiliates. The provision of any such financing will be subject to, inter alia: (i) satisfactory completion of due diligence; (ii) execution of satisfactory transaction documentation; (iii) satisfaction of conditions precedent; and (iv) final credit and any other required internal approvals. We do not assume a duty of care or any liability to any person in respect of the issuance of this letter.

This letter must not be disclosed by you to any person or entity except: (i) your affiliates and your employees, legal and financial advisers; and (ii) the NIAUR and its employees, legal and financial advisers, in each case on a confidential and non-reliance basis. We agree that neither you, we, nor any of our affiliates, shall make any announcement relating to the financing of, or otherwise relating to, the Licence Applications without the prior consent of PNGL.

You acknowledge that you are acting for your own account and are not relying on us for investment advice and/or a recommendation as to the commercial reasonableness of your Licence Applications. Unless expressly provided to the contrary in this letter, a person who is not a party to this letter has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this letter.

Yours faithfully

National Australia Bank

[Redacted signature block]

Name: [Redacted]
Title: Director, Energy & Infrastructure Finance UK
Date: 29th April 2014

Strictly Private & Confidential

Phoenix Natural Gas Limited (“**PNGL**”)
197 Airport Road
West Belfast
BT3 9ED
Northern Ireland

25th April 2014

Dear Sirs,

PROVISION OF SUPPORT IN RELATION TO THE GAS TO THE WEST TRANSMISSION LICENCE APPLICATION

We, The Royal Bank of Scotland plc (“**RBS**” or the “**Bank**”) are pleased to provide PNGL with this letter of support in connection with PNGL’s applications for the Gas to the West transmission licence (the “**Transmission Licence Application**”). We recognise that this letter is an important part of your Transmission Licence Application to the Northern Ireland Authority for Utility Regulation (“**NIAUR**”) and that it will therefore be disclosed to the NIAUR to demonstrate our support of your Transmission Licence Application and your future role in the development, construction and operation of the proposed distribution and transmission networks.

We hereby confirm that we have had preliminary discussions with senior members of our credit and management teams on the details of the Transmission Licence Application and have received their preliminary support to submit this letter of support to fund up to [100]% of the facilities for development costs for the transmission network. We believe the size of the debt facility will be circ. £75m for the transmission network and would be willing to consider an equity bridge. These facilities assume the balance of any capex requirements over and above the debt funding to be via equity and/or grant funding. We have based our assessment upon the capital expenditure requirements detailed by the NIAUR in the Gas Network Extensions in Northern Ireland, Gas to the West: Applicant Information Pack dated 6th February 2014 (the “**Information Pack**”). Specifically, the NIAUR has estimated that the total development costs of the network will be as follows:

- £97.24m for the high pressure transmission pipeline (in December 2013 prices) which PNGL has estimated as equivalent to £107.4m in nominal prices

We would highlight that, if PNGL is identified by the NIAUR as the preferred bidder we will be keen to complete further analysis and due diligence before we can undertake formal views around our participation via our approval process which includes formal sightings, pricing and credit approval stages. We agree to negotiate in good faith with a view to agreeing mutually acceptable commercial terms and documents as soon as reasonably practicable at such time as PNGL is identified as preferred bidder and to dedicate the reasonably required internal resources to achieve this in line with PNGL's timetable.

RBS has significant knowledge and experience in regulated utility financings and project financings of greenfield pipelines in the European market and overseas. This level of experience is clearly demonstrated in our credentials pack attached alongside this letter.

RBS has allocated and ring-fenced a dedicated core transaction team with sufficient experience and resources to support PNGL's Transmission Licence Application.

This letter (and the statements contained herein) is confidential and provided without legal responsibility on our part and solely for your information for the purposes of your consideration of the proposed Transmission Licence Application. As you will appreciate, it does not constitute an offer or commitment to provide, arrange or underwrite or participate in any financing on behalf of RBS or its affiliates nor is it intended, in any way, to create legal relations between us, or impose on us any legal obligations or duty. We make no representation upon which you, or any other person may rely in this letter and we shall not incur any liability to any person as a result of this letter. Without limitation to the uncommitted nature of this letter, the provision of any financing will be subject to, inter alia: (i) the Bank 's satisfaction with the results of all relevant due diligence; (ii) execution of satisfactory transaction documentation; (iii) satisfaction of conditions precedent (including satisfactory evidence of all regulatory and legal approvals for the Gas to the West transmission licence); (iv) satisfaction by the Bank with the prevailing market conditions; and (iv) all necessary internal approvals being obtained (including credit approval).

This letter must not be disclosed by you to any person or entity except: (i) your affiliates and your employees, legal and financial advisers; and (ii) the NIAUR and its employees, legal and financial advisers, in each case on a confidential and non-reliance basis. We agree that neither you, we, nor any of our affiliates, shall make any announcement relating to the financing of, or otherwise relating to, the Transmission Licence Application without the prior consent of PNGL.

You acknowledge that you are acting for your own account and are not relying on us for investment advice and/or a recommendation as to the commercial reasonableness of your Transmission Licence Application. A person who is not a party to this letter has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this letter.

Yours faithfully

The Royal Bank of Scotland plc acting through its Energy & Infrastructure Team, Structured Finance, Corporate & Institutional Banking



Name: [REDACTED]
Title: Associate Director
Date: 29th April 2014

RBS Investment Executive Limited

2 May 2014

Michael McKinstry
Phoenix Natural Gas Limited
197 Airport Road
West Belfast
BT3 9ED
Northern Ireland

Dear Mr. McKinstry,

Gas to the West - Equity Investor Letter of Support

RBS Pension Trustee Limited as trustee for The Royal Bank of Scotland Group Pension Fund (“RBSGPF”) is pleased to provide this letter of support (the “**Letter of Support**”) to Phoenix Natural Gas Limited (“Pngl”) in connection with Pngl’s application for the Gas to the West (“GTW”) Distribution (“GTW Distribution”) and Transmission (“GTW Transmission”) licences (the “Licence Applications”).

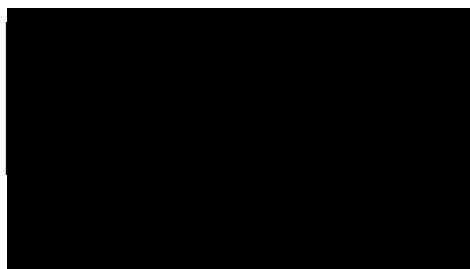
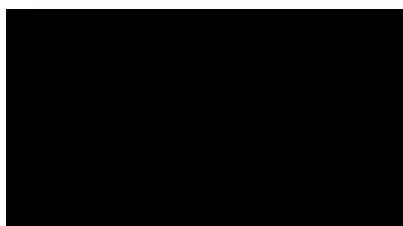
We remain excited about the investment opportunity GTW presents for RBSGPF and Pngl and are committed to working with our co-shareholder Utilities Trust of Australia (“UTA”) in connection with these Licence Applications.

RBSGPF is prepared to commit equity equal to £30.0m for GTW Transmission and £19.0m for Distribution towards GTW’s development and construction costs on the basis of the assumptions set out in Pngl’s Licence Application. RBSGPF has a combination of available cash and easily liquidated assets which can be utilised to finance RBSGPF’s proportionate investment in GTW.

Senior management of RBS Investment Executive Limited (“RIEL”) on behalf of the Board of RBSGPF has endorsed the issue of this Letter of Support. Pngl’s Licence Applications have the focus and support of senior management of RIEL, and they have the experience, capacity and willingness to make decisions in a timely manner and support Pngl’s management through the consultation and final licence award.

We recognize that this letter is an important part of your Licence Applications to the Northern Ireland Authority for Utility Regulation (“NIAUR”) and that it will therefore be disclosed to the NIAUR to demonstrate our strong support of your Licence Applications and your future role in the development, construction and operation of the proposed distribution and transmission networks.

Yours sincerely,



SIGNED for and on behalf of RBS Investment Executive Limited as attorney for RBS Pension Trustee Limited under a power of attorney dated 19 November 2013



Strictly Private & Confidential

Phoenix Natural Gas Limited ("P~~N~~GL")
197 Airport Road
West Belfast
BT3 9ED
Northern Ireland

29th April 2014

Dear Sirs,

PROVISION OF SUPPORT IN RELATION TO THE GAS TO THE WEST DISTRIBUTION AND TRANSMISSION LICENCE APPLICATIONS

We, Sumitomo Mitsui Banking Corporation Europe Limited ("SMBCE" or the "Bank") are pleased to provide P~~N~~GL with this letter of support in connection with P~~N~~GL's applications for the Gas to the West Distribution and Transmission licences (the "**Licence Applications**"). We recognise that this letter is an important part of your Licence Applications to the Northern Ireland Authority for Utility Regulation ("**NIAUR**") and that it will therefore be disclosed to the NIAUR to demonstrate our strong support of your Licence Applications and your future role in the development, construction and operation of the proposed distribution and transmission networks.

We consider P~~N~~GL to be a highly credible applicant with extensive and highly relevant experience in gas network construction and operation in Northern Ireland. We look forward to working with P~~N~~GL on this exciting project. In addition we have a strong relationship with P~~N~~GL's ultimate shareholders and manager Hastings and were one of the banks that provided financing for the acquisition of P~~N~~GL.

We hereby confirm that we have discussed with our senior management details of the Licence Applications and have received their preliminary support to submit this letter of support to participate in a debt financing package of up to [85]% of the development costs for the distribution network and up to [85]% of the transmission network. This is based upon the capital expenditure requirements detailed by the NIAUR in the Gas Network Extensions in Northern Ireland, Gas to the West: Applicant Information Pack dated 6th February 2014 (the "**Information Pack**"). Specifically, the NIAUR has estimated that the development costs of the two networks will be as follows:

- £97.24m for the high pressure transmission pipeline (in December 2013 prices) which P~~N~~GL has estimated as equivalent to £107.4m in nominal prices; and

- £60m for the low pressure distribution pipeline (in December 2013 prices) which PNGL has estimated as equivalent to £74.2m in nominal prices

We anticipate holding 50% of the total committed facilities.

We also confirm that we have read and considered the Information Pack and a summary of PNGL's business plans for its Licence Applications.

We understand that, if PNGL is identified by the NIAUR as the preferred bidder during August 2014 we will be required to conduct due diligence and undertake our structuring and credit approval processes thereafter. We agree to negotiate in good faith with a view to agreeing mutually acceptable commercial terms and documents as soon as reasonably practicable at such time as PNGL is identified as preferred bidder and to dedicate the reasonably required internal resources to achieve this in line with PNGL's timetable.

SMBCE has significant knowledge and experience in regulated utility financings and project financings of greenfield pipelines in the European market and overseas. This level of experience is clearly demonstrated by our lead role in the following transactions:

Brownfield Acquisition Financings of Regulated Utilities

- Fortum Finland Phoenix Natural Gas Limited
- Open Grid Europe
- NET4GAS
- Vattenfall Finland

Greenfield Project Financings of Gas Pipelines.

- Nordstream 1&2
- Caspian Pipeline Consortium (CPC)
- Dolphin Energy
- Trans Austria Gas Pipeline (TAG)

SMBCE has allocated a dedicated core transaction team with sufficient experience and resources to support your Licence Applications. [REDACTED] will be leading the transaction on behalf of SMBCE and the NIAUR and its advisors are authorised to contact [REDACTED] as required, using the following contact details:

Name: [REDACTED]
Title: Head of Acquisition Finance
Address: 99 Queen Victoria Street, London, EC4V 4EH
Phone: + 44 207 786 1137
Email: [REDACTED]@gb.smbcgroup.com

This letter (and the statements contained herein) is confidential and provided without legal responsibility on our part and solely for your information for the purposes of your consideration of

the proposed Licence Applications. As you will appreciate, it does not constitute an offer or commitment to provide, arrange or underwrite or participate in any financing on behalf of [name] or its affiliates. The provision of any such financing will be subject to, inter alia: (i) satisfactory completion of due diligence; (ii) execution of satisfactory transaction documentation; (iii) satisfaction of conditions precedent; and (iv) final credit and any other required internal approvals.


This letter must not be disclosed by you to any person or entity except: (i) your affiliates and your employees, legal and financial advisers; and (ii) the NIAUR and its employees, legal and financial advisers, in each case on a confidential and non-reliance basis. We agree that neither you, we, nor any of our affiliates, shall make any announcement relating to the financing of, or otherwise relating to, the Licence Applications without the prior consent of PNGL.

You acknowledge that you are acting for your own account and are not relying on us for investment advice and/or a recommendation as to the commercial reasonableness of your Licence Applications. Unless expressly provided to the contrary in this letter, a person who is not a party to this letter has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this letter.

Yours faithfully

Sumitomo Mitsui Banking Corporation Europe Limited



Name: 
Title: Head of Acquisition Finance
Date: 29th April 2014



5 May 2014

Phoenix Natural Gas Limited
197 Airport Road
West Belfast
BT3 9ED
Northern Ireland

Dear Sirs,

Gas to the West - Equity Investor Letter of Support

Hastings Funds Management Limited (“**Hastings**”) as manager of Utilities Trust of Australia (“**UTA**”) is pleased to provide this letter of support (the “**Letter of Support**”) to Phoenix Natural Gas Limited (“**PNGL**”) in connection with PNGL’s application for the Gas to the West (“**GTW**”) Distribution (“**GTW Distribution**”) and Transmission (“**GTW Transmission**”) licences (the “**Licence Applications**”).



We remain excited about the investment opportunity GTW presents for UTA and PNGL and are committed to working with UTA’s co-shareholder Royal Bank of Scotland Group Pension Fund (“**RBSGPF**”) in connection with these Licence Applications.

UTA has resources to support an equity equal to £30 million for GTW Transmission and £19 million for GTW Distribution development and construction costs on the basis of the assumptions set out in PNG’s Licence Application. UTA has available cash, undrawn lending facilities and equity commitments which can be utilised to finance UTA’s proportionate investment in GTW, if required.

Following completion of our Investment Committee review Hastings is pleased to provide this Letter of Support for UTA.

We recognise that this letter is an important part of your Licence Applications to the Northern Ireland Authority for Utility Regulation (“**NIAUR**”) and that it will therefore be disclosed to the NIAUR to demonstrate our strong support of your Licence Applications and your future role in the development, construction and operation of the proposed distribution and transmission networks.

Yours sincerely,



Chief Executive Officer Utilities Trust of Australia
Executive Director
Hastings Funds Management Pty Ltd

Financial Resources and Standing

2nd May 2014

Background to Phoenix

Phoenix has held a gas distribution licence within the Greater Belfast Area since natural gas became available in Northern Ireland in 1996. Initially Phoenix held a joint licence for transmission, distribution and supply.

In 2008 Phoenix sold its transmission business to NIE / Mutual Energy and then in 2012, following the full opening of the market to competition Phoenix sold its supply businesses to Airtricity / SSE.

Phoenix remains the main distribution licence operator in Northern Ireland owning and operating 3,200 km of network, making gas available to more than 301,000 customers with more than 171,000 customers being connected and more than 10,000 further customers being connected annually at present.

Evidence of Historic Fund Raising

During its period of operation Phoenix has continually demonstrated its ability to attract investors.

Notable equity raisings include:

- The KeySpan CI Ltd (“KeySpan”) £11m equity investment in 1997 to acquire a 49% interest in Phoenix Natural Gas Limited (“PNGL”) from BG Energy Holdings Limited (“BG”).
- The £50m equity investment by East Surrey Holdings PLC (“ESH”) in 2001 to acquire a 24.5% interest in PNGL from BG.
- The £178m equity investment by ESH in 2003 to acquire a 75.5% interest in PNGL resulting in ESH becoming the 100% owner of PNGL.
- The £467m equity investment by Terra Firma Capital Partners (“TFCP”) in 2005 to acquire 100% of ESH.
- The £99m sale of Belfast Gas Transmission Limited in 2008 to Northern Ireland Energy Holdings Limited (“NIEH”).
- The £19m sale Phoenix Supply Limited in 2012 to Airtricity Holdings Limited a subsidiary of Scottish & Southern Energy PLC (“SSE”).
- The equity investment by the Hastings managed funds, Utilities Trust of Australia (“UTA”) and Royal Bank of Scotland Group Pension Fund (“RBSGPF”), in 2013 to acquire 100% of Carmel Capital II the holding company of the Phoenix group.

UTA and RBSGPF are long term investors in infrastructure assets and have demonstrated through subsequent re-investment their ability and willingness to make available finance for future expansion plans when required.

Notable debt raisings include:

- The raising of £125m of 4-year senior debt facilities (comprising a £93m term loan and a £32m RCF) in 2004 to fund the capital expenditure and working capital requirements of PNGL. The facilities were provided by a syndicate of banks including Barclays, Allied Irish, Bank of Ireland, Lloyds and RBS.
- The raising of £458m of 5-year senior debt facilities in 2005 by Kellen Acquisitions Limited (a parent company of PNGL) to support the acquisition of ESH by TFCP. The debt was comprised of term, capital expenditure and working capital facilities and was provided by a syndicate of banks including Barclays and Citigroup.
- The issuance of a £275m 8-year guaranteed bond in 2009 by Phoenix Natural Gas Finance PLC (“PNGF”), a subsidiary of PDHL, to fund the continued growth of PNGL’s core distribution business and support the re-financing of the TFCP 2005 acquisition finance.
- The raising of £80m of 3-year senior debt facilities from RBS and Barclays in 2009. The facilities comprised capital expenditure and working capital facilities to underpin future capital expenditure and working capital requirements within PNGL.
- The refinancing of the £80m 2009 senior debt facilities in 2011 for a further 3 years with RBS.
- The raising of £140m of senior debt facilities (comprising a £45m 3-year term loan, a £45m 7-year term loan and a £50m 3-year capex and working capital facility) in 2013 to refinance existing bank debt. The facilities were provided by a syndicate of banks including National Austria Bank (“NAB”) and Sumitomo Mitsui Banking Corp (“SMBC”).
- The raising of £170m of senior debt facilities (comprising a £93m 5-year term loan, a £67m 5-year capex facility and a £10m 5-year working capital facility) in 2013 to support Hastings acquisition of Phoenix group and replace the existing £140m bank facility. The facilities were provided by a syndicate of banks including NAB, SMBC and Commonwealth Bank of Australia.

In addition to these equity and debt raising activities PNGF was assigned strong investment grade ratings from both Moody’s and Fitch in 2009 and has subsequently maintained

these ratings at their initial level. These ratings and the demonstrated ability of Phoenix group to raise debt from both bank and bond markets reflect the strong credit quality of the core distribution business and give management confidence that Phoenix group will continue to have diverse access to the debt markets for the foreseeable future.

PNGL is a long term infrastructure asset with predictable cash flows. Debt finance is raised on the basis that it will be repaid before its legal maturity by raising new debt from a range of sources.

The equity and debt raising activities of Phoenix described in detail above shows that management have successfully secured over £2bn of investment in the business over the last 12 years.

Hastings has considerable experience supporting portfolio companies in their capital raising activities. Hastings has secured £3.5m of debt and equity finance over the last 2 years to support its global acquisition activities.

This clearly shows the ability of Phoenix to generate equity and debt finance over a sustained period and provides a strong covenant to its ability to deliver the necessary financial resources into the future.

Financing of the Gas to the West High Pressure Pipeline

Phoenix group has extensive relationships with the bank lending community. These relationships have been established over the long history of Phoenix's debt financing activities for its core businesses. In addition Phoenix has access to banking relationships established by Hastings over their 20 year history of investing in infrastructure businesses. In combination these relationships allow Phoenix group to access the bank debt markets at competitive rates thereby facilitating this highly competitive bid case for developing Gas to the West of Northern Ireland.

Whilst the prevalence of ring-fencing conditions limits its ability to directly leverage debt from its core business, the experience that the core Phoenix business provides to debt investors is likely to make it possible to PNGL to acquire the necessary debt funding.

Further, through its relationship with Hastings, PNG credentials have been further strengthened and more importantly the long term nature of investors involved in the Phoenix business provides extra security to the bid as there is a strong track record of such investors supporting and re-investing in core businesses to facilitate their growth and development.

The NIAUR has indicated that the minimum amount of capital that is required to develop the Gas to the West high pressure pipeline is £97.24m in December 2013 prices. PNGL has estimated that this equates to £107.4m in nominal prices.

The NIAUR has stated that applicants should demonstrate sufficient financial resources to fund at least 120% of this amount. On this basis, PNGL has taken steps to clearly demonstrate to the NIAUR that it has reliable access to financial resources in excess of £128.9m (£107.4m multiplied by 120%).

PNGL has attached to this application letters of intent from 5 bank debt providers (NAB, SMBC, CBA, Lloyds and RBS) and from Phoenix group's existing equity investors, UTA and RBSGPF, who intend to support the equity requirements of the development process.

Collectively the letters of intent demonstrate a willingness to contribute up to £285m to the development of the pipeline. This is summarised as follows:

	Amount	Funding as % of development costs	Anticipated hold
Equity:			
UTA	£26.9m		
RBSGPF	£26.9m		
Total Equity	£53.7m		
Debt:			
NAB	£35.0m	c. 65%	50%
SMBC	£45.6m	c. 85%	50%
CBA	£40.0m	c. 75%	50%
Lloyds	£35.5m	(£60m pro rata across T and D)	
RBS	£75.0m	c. 70%	100%
Total Debt	£231.1m		
Total	£284.8m		

It is expected that the development of the high pressure pipeline will be financed approximately 70% with debt and 30% with equity.

It is the expectation that the debt finance for the development will be structured as a project finance facility. This assumes a 3 year construction timeframe following which the pipeline is expected to be designated within the Northern Ireland postalisation regime and income derived from all users of the gas network across Northern Ireland from day 1 of operation.

This should enable the initial development financing to be refinanced within a 2 year timeframe following postalisation. Ideally any refinancing will be part of a mutualisation process.

Proposed High Pressure Pipeline System

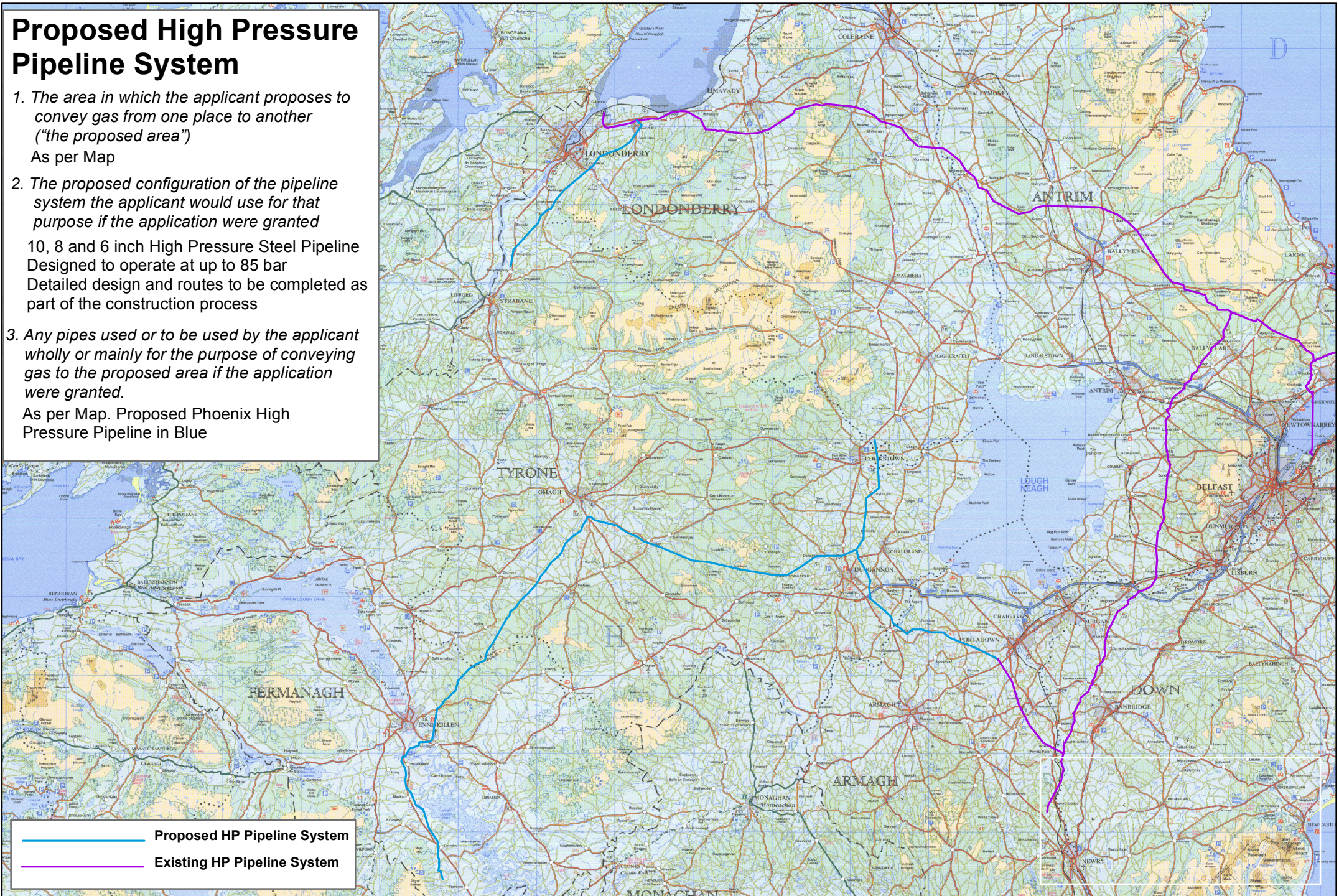
1. The area in which the applicant proposes to convey gas from one place to another ("the proposed area")
As per Map

2. The proposed configuration of the pipeline system the applicant would use for that purpose if the application were granted

10, 8 and 6 inch High Pressure Steel Pipeline
Designed to operate at up to 85 bar
Detailed design and routes to be completed as part of the construction process

3. Any pipes used or to be used by the applicant wholly or mainly for the purpose of conveying gas to the proposed area if the application were granted.

As per Map. Proposed Phoenix High Pressure Pipeline in Blue



Proposed HP Pipeline System
Existing HP Pipeline System