

Scotia Gas Networks Northern Ireland Low Pressure Application

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

1. Full name of the applicant.

Scotia Gas Networks Northern Ireland Ltd

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

St Lawrence House, Station Approach, Horley, Surrey, RH6 9HJ

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

N/A

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

**Robert Wilby, Head of Business Development, Scotia Gas Networks,
St Lawrence House, Station Approach, Horley, Surrey, RH6 9HU
telephone: 07802 758233**

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.

A licence to convey gas at pressure of 7 bar and below for the Gas to the West initiative

6. Details of any other licence application to which the applicant wishes this application to be connected (*see Note 1*).

This application is connected with the application for a high pressure gas conveyance licence being made by Northern Ireland Energy Holdings Limited (NIEH)

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

Upon agreement with the regulator

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.

England & Wales

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(b) If applicable, its registration number.

No 8822715

(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.

Christopher John Brook, Scotia Gas Networks Northern Ireland Ltd, St Lawrence House, Station Approach, Horley, Surrey, RH6 9HJ

(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.

Company Secretary, Scotia Gas Networks Northern Ireland Limited, St Lawrence House, Station Approach, Horley, Surrey, RH6 9HJ

(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.

**Scotia Gas Networks Limited, St Lawrence House
Station Approach, Horley, Surrey, RH6 9HJ**

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.

N/A

11. Where a holding of 20% or more of the shares (see Note 2) 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.

Sole Shareholder: Scotia Gas Networks Limited (registered office St Lawrence House, Station Approach, Horley, Surrey, RH6 9HJ).

Shareholding: 1 ordinary share of £1, comprising 100% of the issued share capital of the company.

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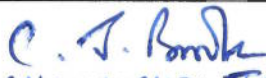
12. Details of any licences under the Order¹ or the Electricity (Northern Ireland) Order 1992² held, applied for (whether or not successfully) or intended to be applied for by the applicant or (so far as is known to the applicant) by any person who is a related person in relation to the applicant. (See Note 3).

The following licences are held by a subsidiary of a non controlling shareholder (Scottish & Southern Energy PLC): Electricity Supply Licence SSE Airtricity Energy Supply Ltd, Gas Supply Licence SSE Airtricity, Gas Supply NI/SSE Airtricity Energy Supply Ltd

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 authorised officer of the applicant hereby confirm that:

(a) the information provided in this application is true, accurate and complete.	Initial below: CJS.
(b) the applicant has not breached any applicable legislation or regulations in preparing or making this application.	Initial below: CJS.
(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.	Initial below: CJS.
(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.	Initial below: CJS.
(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.	Initial below: CJS.
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."	Initial below: CJS.

Signed: 
Name: CATHERINE JENN BROOK
Position: DIRECTOR
Dated: 2 May 2014.

¹ S.I. 1996/275 (N.I.2), relevant amendments were made by S.R. 2011 No. 155 and S.R. 2013 No. 92

² S.I. 1992 No. 231 (N.I. 1)

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14. In this schedule:-

"the 2006 Act" means the Companies Act 2006³;

"senior officer" means the chairman, chief executive, other director or company secretary of the applicant.

Note 1

An application is "connected" to one or more other applications (whether or not made by the same applicant) where the applicant indicates that, if any of the licences which is the subject of those other applications were not to be granted to the person applying for it, it would be its intention to withdraw that application.

Note 2

References to shares:—

(a) in relation to an applicant with a share capital, are to allotted shares;

(b) in relation to an applicant with capital but no share capital, are to rights to share in the capital of the applicant; and

(c) in relation to an applicant without capital, are to interests:—

(i) conferring any rights to share in the profits or liability to contribute to the losses of the applicant; or

(ii) giving rise to an obligation to contribute to the debts or expenses of the applicant in the event of a winding up.

Note 3

"Related person" means:—

(a) in relation to an applicant who is an undertaking within the meaning of section 1161 of the 2006 Act ("the principal undertaking"), a parent or subsidiary undertaking of the principal undertaking, or a subsidiary undertaking of a parent undertaking of the principal undertaking, in each case within the meaning given by section 1162 of the 2006 Act; and

(b) in relation to any applicant (including such an undertaking) or connected person of the applicant with the meaning of Section 286 of the Taxation of Chargeable Gains Act 1992⁴."

³ 2006 c.46

⁴ 1992 c.12

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Schedule II Part 1

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 entity is a new company established for the purpose of supporting our Northern Ireland business. We have enclosed group information only.

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).

We have enclosed 3 years of Group accounts for SGN for 2011, 2012, 2013 including soft copies. We do not produce interim accounts.

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.

N/A

Note

If the application is for an extension of a licence, the information and documents specified at paragraphs 1 to 3 above and paragraphs 4 to 7 below need only be given in so far as, in any material respect they differ from or add to the most recent information or documents which were provided in relation to the same requirement:–

- (a) with an application made by the applicant in accordance with these Regulations; or
- (b) subsequent to such an application in pursuance of a condition of the applicant's licence.

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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.

(Please list below supporting documentation provided)

N/A

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.

We have demonstrated in our submission our ability to meet the financial standing criteria supported by our track record with financial institutions, our statutory accounts and letters of comfort from two of our relationship banks. We intend to finance the activities in line with how we currently finance our two existing Gas Transportation Networks - a combination of equity, a bank facility with our relationship banks and long term bond issuance.

Firstly, the SGN Group has significant financial strength demonstrated by a RAV of almost £5bn, £1bn of equity / shareholder loans from our three shareholders (SSE, Borealis and Teachers) and strong operational cashflow. We have provided a letter explaining how our statutory accounts support the financial standing criteria together with three years of historical accounts. The Group operates in a stable regulatory regime and we are in the early part of an eight year price control. This provides a stable platform to grow additional regulated businesses. In addition, our three Shareholders are committed to this bid which is in line with their strategy of owning and growing regulated businesses.

Secondly, we have a very good track record with both the credit rating agencies and our relationship banks. We have an excellent liquidity profile which has contributed to our ability to maintain solid credit ratings since inception in 2005 (Baa1 Moodys, BBB S&P and BBB+ Fitch - senior unsecured). We have raised £3.5bn of bonds during the last eight years whilst maintaining a £280m bank facility, through these transactions, we have built an excellent working relationship with our banking group (Lloyds, RBS, RBC and Barclays).

Finally, we have obtained two comfort letters from RBC and Barclays in relation to our bid.

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Constitutional documents

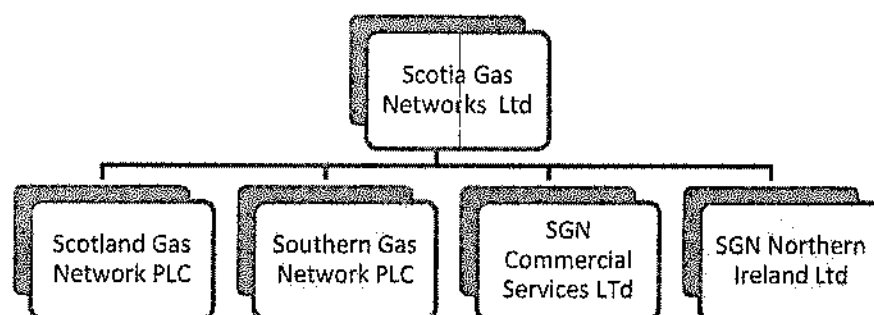
6. Where the applicant is a company:--

- (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.
- (Please list below supporting documentation provided)*

Memorandum of original company and Articles of Association are enclosed. The shareholder is Scotia Gas Networks Ltd. The director is Christopher John Brook

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.

Scotia Gas Networks Ltd is the ultimate controller of Scotia Gas Networks Northern Ireland Ltd : The following diagram details the structure:



Please Note SGN Northern Ireland Ltd legal name is Scotia Gas Networks Northern Ireland Ltd.

8. A statement giving such particulars of the applicant, and of any sub-contractors or other persons on whose expertise or experience 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.

We refer you to our Low Pressure Operational Business Plan which forms part of this submission and contains further detail of our own skills and competencies and how we ensure that those contractors we employ are also suitably skilled and competent. See specifically:

- Chapter 1, Section 1.2 Executive Summary**
- Chapter 2, Section 2.3 Competencies and Accountabilities**
- Chapter 3, Section 3.6 Low Pressure System Construction**
- Chapter 4, Section 4.3 Policies and Procedures.**

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Chapter 5	Section 5.8 Emergency Response
Chapter 6	Section 6.1 Principles and Section 6.3 Construction, Maintenance and Specialist Services
Chapter 7	Business Development

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 Order⁵ or the Electricity (Northern Ireland) Order 1992⁶.

The applicant is new however within the group both Southern Gas Networks plc and Scotland Gas Networks plc are licensed gas transporters as defined under the Gas Act 1986 (as amended). Each of our licensed gas transportation businesses are governed by Standard Licence Conditions, Standard Special Licence Conditions and Special Licence Conditions. Current versions of our licences can be found at:

<https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions>

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.

We are applying for a licence to convey gas through a system which mainly comprises pipelines with pressure of 7 bar or below.

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”);

We attach a map of the proposed Licence Area and specifically includes the towns of Dungannon, Coalisland, Cookstown, Magherafelt, Strabane, Omagh, Enniskillen and Derrylinn. Should our application be progressed, we would expect to define the specific boundary of the Licence area with the NIAUR in due course.

⁵ S.I. 1996/275 (N.I.2), relevant amendments were made by S.R. 2011 No. 155 and S.R. 2013 No. 92

⁶ S.I. 1992 No. 231 (N.I. 1)

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- (b) the proposed configuration of the pipeline system the applicant would use for that purpose if the application were granted; and

The proposed configuration of the spine main proposed for each of the towns is as specified in the Distribution System Maps provided by Fingleton McAdam as part of the feasibility study for NIAUR. No details can be provided at this time regarding the feeder or infill mains as they are yet to be designed.

- (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.

The transmission pipeline conveying gas to the proposed Licenced area is not included in our Licence application. It is subject to a separate submission.

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

**Dungannon & South Tyrone Borough Council,
Fermanagh District Council,
Magherafelt District Council,
Omagh District Council,
Strabane District Council,
Cookstown 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), diameter(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 pipe-lines, providing 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.

We refer to our business plan document which has an in-depth explanation of our plans and has been prepared in line with the "FMA study" design as instructed by the Utility Regulator in its applicant information pack dated 6th

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February 2014. (a) to (c) are assumed to be in line with this study. We also attach financial model outputs detailing revenue, capital costs, operating costs and net annual cashflow as requested in (d), (e), (f) and (g) above.

System security standards

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

The Pipeline system will be designed, constructed and operated in accordance with The Pipelines Safety Regulations (Northern Ireland) 1997, Gas Safety (Management) Regulations (Northern Ireland) 1997, Regulation (EU)994/2010 and IGEM industry recommendations and guidance as described in Chapters 3, 4 and 5 of the Low Pressure Operational Plan and any Licence Conditions that may apply.

In relation to the security of physical assets, due to the absence of a Northern Ireland Standard the pipeline security measures will be commensurate with the advice of the relevant competent authority and subject to the capital funding stipulations of the authority. As a minimum we would expect to deploy security measures common to those currently deployed by existing Northern Ireland Distribution System Operators, such as underground PRI's with intruder alarms.

Safety requirements

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.

In relation to our Licence application and the safe operation of any network we construct, we would refer you to our answer to Question 8 above and to the Low Pressure Operational Plan that accompanies our application. See specifically:

**Chapter 2, Section 2.3 Competencies and Accountabilities
Chapter 3, Section 3.6 Low Pressure System Construction
Chapter 4, Section 4.3 Policies and Procedures.
Chapter 5 Technical (including Section 5.1 Safety Case; Section 5.3 Compliance; Section 5.4 Network Code; Section 5.8 emergency Response)**

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.

Details of the arrangements to secure the performance in relation to escapes of gas are contained within the Low Pressure Operational Business Plan that accompanies. See specifically:

**Chapter 2, Section 2.3 Competencies and Accountabilities
Chapter 3, Section 3.6 Low Pressure System Construction
Chapter 4, Section 4.3 Policies and Procedures.**

Scotia Gas Networks Northern Ireland Low Pressure Application

Chapter 5 Technical (including Section 5.1 Safety Case; Section 5.3 Compliance; Section 5.4 Network Code; Section 5.8 Emergency Response)

You should also note our answer to Question 8 above, it outlines our general capability and experience as the second largest gas transporter in the UK.

Exclusive authority

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

The exclusive authority will be in line with the applicant information provided

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.

No modifications are required

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.

Our arrangements for compliance are detailed in the submitted business plan (See Chapters 4 and 5 in particular). We currently operate under a UK gas conveyance licence and have full policies, procedures and governance to ensure we operate in a fully compliant manner. We will extend these procedures to the new licence area, modifying them where necessary, once the new licence is agreed.

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.

Please see attached declaration

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

Scotia Gas Networks Northern Ireland Low Pressure Application

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 1978⁷ or the Rehabilitation of Offenders Act 1974⁸; or

(b) a statement signed by a senior officer of the applicant confirming that there are no such convictions.

Please see attached declaration

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.

Please see attached declaration

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.

Please see attached declaration

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.

Please see attached declaration

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.

Please see attached declaration

⁷ 1978 No. 1908 (N.I. 27)

⁸ 1974 c. 53

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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.

Please see attached declaration

Scotia Gas Networks Northern Ireland Low Pressure Application

Interpretation

27. In this schedule:—

"the 2006 Act" means the Companies Act 2006⁹;

"annual accounts" has the meaning given by section 471 of the 2006 Act;

"auditors' report" means a report prepared under section 495 of the 2006 Act;

"company" has the meaning given by section 1 of the 2006 Act;

"competent authority" means any minister, ministry, department, agency, authority, official or statutory office holder;

"domestic premises" means premises to which gas is conveyed at a rate which is reasonably expected not to exceed 2,500 therms a year;

"group" has the meaning given by section 474(1) of the 2006 Act;

"group accounts" means such accounts as are required to be prepared by section 399 of the 2006 Act;

"holding company" has the meaning given by section 1159 of the 2006 Act;

"parent undertaking" and "subsidiary undertaking" have the meanings given by section 1162 of the 2006 Act;

"senior officer" means the chairman, chief executive, other director or company secretary of the applicant;

"ultimate controller" means, in respect of the applicant:—

(a) any holding company of the Licensee, which is not itself a subsidiary of another company; and/or

(b) any person who (whether alone or with a person or persons connected with him) is in a position to control, or to exercise significant influence over, the policy of the applicant, or any holding company of the applicant, by virtue of:

(c) (i) rights under contractual arrangements to which he is a party or of which he is a beneficiary;

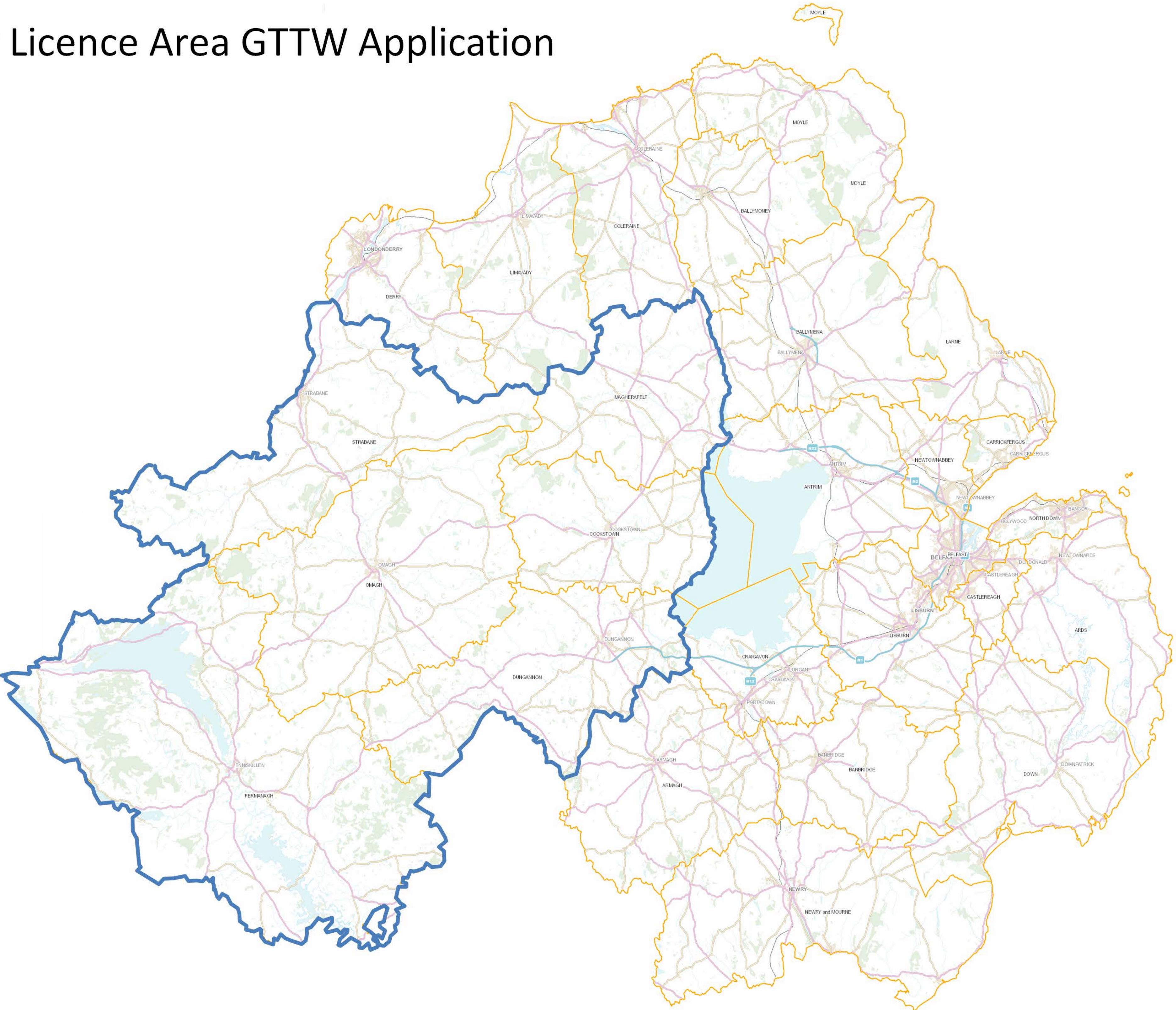
(d) (ii) rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by him or of which he is a beneficiary,

(e) (and for these purposes a person shall be considered to be connected with another person if they are party to any arrangement regarding the exercise of any such rights as are described in (i) and/or (ii)),

(f) but shall exclude any director or employee of a corporate body in his capacity as such and any minister, ministry, department, agency, authority, official or statutory office holder."

⁹ 2006 c.46

LP Licence Area GTTW Application



THE COMPANIES ACT 2006
COMPANY HAVING A SHARE CAPITAL
MEMORANDUM OF ASSOCIATION
of
DUNWILCO (1840) LIMITED

Each subscriber to this Memorandum of Association wishes to form a company under the Companies Act 2006 and agrees to become a member of the company and to take at least one share.

Name of each Subscriber

Authentication by each Subscriber

D.W. Director 1 Limited

Attorney for
D.W. Director 1 Limited

Dated 20 December 2013.



Scotia Gas Networks Northern Ireland Limited
St Lawrence House
Station Approach
Horley
Surrey
RH6 9HJ

Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

29 April 2014

Dear Sir/Madam,

I, director of the applicant hereby confirm that:

- no actual, pending or threatened regulatory enforcement action 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;
- no criminal convictions have been brought against 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;
- no cautions have been given 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;
- no refusals of any application have been 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;
- no revocation or threat of revocation have been made of any 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;



- no 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 has occurred;
- no actual, pending or threatened recovery orders have been made 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.

Yours faithfully,

[Redacted Signature]

Director

5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Tel +44 (0)20 7623 2323

www.barclays.com

Scotia Gas Networks Northern Ireland Plc
St Lawrence House
Station Approach
Horley
Surrey
RH6 9HJ

For the attention of: [REDACTED]

28th April 2014

Dear Sirs

Gas to the West Project (the "Project")

We understand that Scotia Gas Networks Northern Ireland Ltd ("SGN NI" or the "Company") will submit a bid in conjunction with Mutual Energy Limited for the gas transmission and distribution licences to extend the existing network to the west of Northern Ireland ("the Project"). You have asked us to provide you with a letter that can be submitted with your bid for the Transmission and Distribution licence to meet the Financial Standing criteria of the bid. Specifically, you have asked us to confirm that subject to certain criteria being met, Barclays Bank PLC acting through its investment bank ("Barclays") and subject to normal credit, legal, technical and insurance due diligence, would be prepared to consider providing a 5 year bank facility (the "Debt Facilities"). This facility would be advanced to SGN NI, guaranteed by Scotia Gas Networks ("SGN") and rank pari passu with any bond issue. The purpose of the facility would be to support financing the construction of the Transmission and Distribution assets. We understand the Company has a licence substantially the same as Phoenix Gas Limited and the bond would achieve an investment grade credit rating from either Fitch, Moody's Investor Services or Standard & Poor's.

Barclays has considerable experience in funding UK infrastructure transactions in each of the bank and bond markets. Barclays has been consistently placed in the top 3 of the independently published Sterling bond arranger league tables and has a long history of operations as a Gilt Edged Market Maker and arranger of corporate and infrastructure bond issues.

Barclays has banked SGN since its creation and has nine years experience dealing with the SGN Group, being part of the banking group providing a bank facility to the UK Gas Distribution Networks (currently £280m across four banks) and has been a bookrunner on all the SGN Group public bond issues.

Also highly relevant to the Project is our infrastructure finance experience. In the infrastructure market Barclays has a long history of arranging capital markets financing for utility companies, operational infrastructure businesses and project financings. Barclays' credentials in the UK infrastructure sector and the capital markets more generally are attached as Appendix A.

This letter is not intended to create any legal relationship between us or between Barclays (and/or its affiliates) and any other person whatsoever and we do not assume a duty of care or any liability to any person in respect of the issuance of this letter. Any future underwriting commitment or offer of financing will be subject to (inter alia) normal market conditions, completion of satisfactory due diligence, agreeing on structure, terms and pricing given the then prevailing market conditions, the execution of documentation for the Project and the Debt Facilities in form and substance satisfactory to us, and receiving all required credit and other internal approvals and Barclays acting in a leading capacity in the proposed financing, refinancing and any associated risk management solutions.

This letter is confidential and delivered to you on the understanding that neither this letter nor the substance of this letter shall be disclosed to any third party without our prior written consent. We hereby consent to your disclosure of this letter to the Northern Ireland Authority for Utility Regulation (NIAUR) and your advisors on a confidential and non-reliance basis for use solely in connection with the Project.

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. The parties submit to the non-exclusive jurisdiction of the English courts for the resolution of any dispute arising out of or in connection with this letter.

We look forward to working with further to deliver this exciting project.

Yours faithfully

For and on behalf of Barclays Bank PLC
Acting through its investment bank

Name: [REDACTED]

Title: MANAGING DIRECTOR

Date: 25 APRIL 2014

Annex 1: Barclays Credentials

Barclays is a Leading Financier in the European Utility & Infrastructure Sector

Selected Credentials:

Deal	Description
EUR470mn 3.5-year Exchangeable Bond for CEZ, a. s. – February 2014	<ul style="list-style-type: none"> Barclays acted as a Joint Global Coordinator and Joint Bookrunner on a EUR470mn 3.5-year senior unsecured exchangeable bond for CEZ This is the first ever equity-linked transaction by a Czech company
Snam Spa Dual-Tranche Euro Transaction – April 2013	<ul style="list-style-type: none"> Barclays acted as Joint Lead Manager for the dual tranche transaction: 4yr €1bn and 8yr €500m bonds
Acquisition financing and Capex/Working capital facilities for Net4Gas acquisition – April 2013	<ul style="list-style-type: none"> Barclays supported ACP and Borealis as Joint Bookrunner and Mandated Lead Arranger for the multi currency €1.4bn acquisition financing and capex/working capital facilities
Acquisition financing for TIGF acquisition– February 2013	<ul style="list-style-type: none"> Barclays acted as lead Financial Advisor to the Consortium (EDF, GIC and SNAM) and as exclusive Financial Advisor to EDF Barclays also acted as Mandated Lead Arranger on EUR 400m of term facilities
Refinancing of acquisition facilities for Associated British Ports (“ABP”) – December 2011	<ul style="list-style-type: none"> Barclays acted as Sole Ratings Advisor, Structuring Advisor and Joint Hedge Co-ordinator on the refinancing of ABP £2.4bn acquisition facilities through a mix of Senior Bank Debt, Senior Bond Debt and Junior Debt
Financing for acquisition of Northumbrian Water Group – August 2011	<ul style="list-style-type: none"> Barclays supported CKI as Joint Bookrunner & MLA on the £1.3bn financing for its acquisition of Northumbrian Water Group
Financing for acquisition of stake in Gassled – May 2011	<ul style="list-style-type: none"> Barclays supported Allianz, CPP and ADIA as Joint Bookrunner & MLA on the NOK12.3bn financing for their acquisition of a 24% stake in Gassled



Scotia Gas Networks Northern Ireland Plc
St Lawrence House
Station Approach
Horley
Surrey
RH6 9HJ

For the attention of: [REDACTED]

23 April 2014

Dear [REDACTED]

Gas to the West Project

We understand that Scotia Gas Networks Northern Ireland Limited ("SGN NI") intends to submit a bid for the gas distribution licences to extend the existing network to the west of Northern Ireland ("the Project"). You have asked us to provide you with a comfort letter that can be submitted with your Distribution Licence bid to meet the Financial Standing criteria of the bid. Specifically, you have asked us to confirm that, subject to certain criteria being met, Royal Bank of Canada ("RBC") would, subject to completion of customary legal, technical and insurance due diligence, be prepared to consider providing a bank facility and/or underwriting a bond or private placement offering of up to approximately £60 million in aggregate, representing the total projected capital expenditure during the first 10 years of the new Distribution Licence, plus c.£10m of profile adjustment. This would be on the basis that the company is granted a Distribution Licence substantially the same as Phoenix Gas Limited, and any bond issue achieves a solid Investment Grade credit rating from either Fitch, Moody's Investor Services or Standard & Poor's.

We are also prepared to consider providing financial facilities to enable Scotia Gas Networks to deliver letters of credit to Mutual Energy in support of their bid to construct and own the related Transmission Pipeline, subject again to customary legal, technical and insurance due diligence. We understand the level of such facilities will be approximately £100million.

RBC has considerable experience in funding UK infrastructure transactions in the bank and bond markets. RBC has been consistently placed in the top 6 of the sterling bond arranger league tables and has a long history of operations as a Gilt Edged Market Maker and arranger of corporate and infrastructure bond issuers.

RBC has nine years experience dealing with the SGN Group, being part of the bank group providing banking facilities to UK Gas Distribution Networks (currently £280m across four banks) together with assistance on refinancing its original acquisition debt into the debt capital markets.

Also highly relevant to the Project is RBC's infrastructure finance experience. In the infrastructure market RBC has a long history of arranging bank debt and debt capital markets financings for utility companies and operational infrastructure businesses. RBC's credentials in the UK infrastructure sector and the capital markets more generally are attached as Appendix A.

Subject to the conditions set out in this comfort letter, RBC would be pleased to consider acting as arranger and/or bookrunner for the bank debt and/or debt capital markets facilities required for the Project.

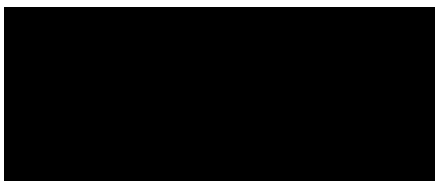
In particular, we are pleased to confirm, as at this date, that:

- i) we have reviewed SGN NI Distribution financial projections;
- ii) we are aware of and comfortable with both the Phoenix Distribution licences on which the new Distribution Licence will be based and which will provide the source of repayment for the bank debt and/or debt capital markets facilities referred to in this letter; and
- iii) RBC is satisfied with SGN NI's general financing plan and approach.

You will appreciate that this comfort letter does not constitute an offer of financing, nor a legally binding commitment of any kind to provide finance. Any formal offer will be subject to due diligence requirements outlined above and receipt of internal approvals
















We look forward to working with further to deliver this exciting project.

Yours sincerely



Managing Director, Corporate Banking
Royal Bank of Canada

Appendix A: RBC is One of the Leading Funders in the Infrastructure Sector

 <p>Senior Credit Facilities & Senior Notes Refinancing of Existing Facilities</p> <p>\$746,000,000</p> <p>Left-Lead Arranger & Bookrunner May 2013</p>	 <p>Oystercatcher Term Loan & RCF Refinancing of Existing Facilities</p> <p>€195,000,000</p> <p>Mandated Lead Arranger March 2013</p>	 <p>Term Loan & RCF Acquisition of Stansted Airport Limited</p> <p>Undisclosed</p> <p>Mandated Lead Arranger January 2013</p>	 <p>Senior Credit Facilities Acquisition by ArcLight Capital Partners</p> <p>€95,000,000</p> <p>Mandated Lead Arranger December 2012</p>
 <p>Senior Credit Facilities Refinancing of Existing Facilities</p> <p>£218,500,000</p> <p>Mandated Lead Arranger November 2012</p>	 <p>Senior Credit Facilities Acquisition of gas transmission network, Open Grid Europe For €3.2bn by a MEIF4, BCIMC, ADIA and MEAG consortium</p> <p>€2,750,000,000</p> <p>Mandated Lead Arranger and Joint Financial Advisor July 2012</p>	 <p>Senior Credit Facilities Acquisition of Veolia Environment's regulated UK water business by a consortium comprising: Infracapital, MSIP and SAFE</p> <p>€652,100,000</p> <p>Mandated Lead Arranger June 2012</p>	 <p>Senior Credit Facilities Refinancing of Existing Facilities</p> <p>£2,705,000,000</p> <p>Mandated Lead Arranger June 2012</p>
 <p>OpCo and HoldCo Facilities Refinancing of existing Facilities</p> <p>€3,500,000,000</p> <p>Mandated Lead Arranger February 2012</p>	 <p>Senior Credit Facilities Acquisition of 24.1% stake in Gassco by ADIA, Allianz and CPIIB</p> <p>NOK12,250,000,000</p> <p>Mandated Lead Arranger and Bookrunner February 2012</p>	 <p>Senior Credit Facilities Acquisition of Finnish Electricity Distribution and Heat businesses by 3i, GSIP II and Ilmarinen consortium</p> <p>€1,250,000,000</p> <p>Mandated Lead Arranger and Bookrunner January 2012</p>	 <p>Senior Credit Facilities Acquisition of Northumbrian Water Group by CKI</p> <p>£1,282,000,000</p> <p>Lead Buy Side Advisor Mandated Lead Arranger and Bookrunner August 2011</p>
 <p>Senior Credit Facilities Refinancing of Existing Facilities</p> <p>DKK5,300,000,000</p> <p>Mandated Lead Arranger and Bookrunner July 2011</p>	 <p>Senior Credit Facilities Refinancing of Existing Facilities</p> <p>£1,250,000,000</p> <p>Mandated Lead Arranger and Bookrunner April 2011</p>	 <p>Junior Holdco Facilities Bank and Bond Refinancing</p> <p>£825,000,000</p> <p>Mandated Lead Arranger and Bookrunner April 2011</p>	 <p>Senior Credit Facilities Acquisition Financing Facilities</p> <p>£480,000,000</p> <p>Mandated Lead Arranger March 2011</p>
 <p>Senior Credit Facilities Refinancing of Existing Facilities Acquisition of Eversholt Rail Group by Eversholt Investment Group</p> <p>£1,707,350,000</p> <p>Joint Mandated Lead Arranger Bookrunner and Underwriter November 2010</p>	 <p>Senior Credit Facilities Refinancing of Existing Facilities Acquisition of the High Speed 1 rail link by Borealis and OMERS</p> <p>£1,390,000,000</p> <p>Joint Mandated Lead Arranger Bookrunner and Underwriter November 2010</p>	 <p>Class B Debt Facility</p> <p>£625,000,000</p> <p>Mandated Lead Arranger August 2010</p>	 <p>Acquisition Facilities Acquisition of Gatwick Airport by Global Infrastructure Partners</p> <p>£1,125,000,000</p> <p>Mandated Lead Arranger & Bookrunner December 2009</p>

1. Following the acquisition of Veolia's UK water interests, the company was renamed to Affinity Water

2. Solveig Gas Norway AS is the SPV created by the consortium for the acquisition of a 24.1% stake in Gassco

3. Elenia is the SPV created by the consortium for the acquisition of Vattenfall AB's Finnish electricity distribution and heat business

Appendix A: RBC is One of the Leading Funders in the Infrastructure Sector

Utilities	 <p>2 875% Due 2020 ---/BBB/---</p> <p>€500,000,000</p> <p>Joint Bookrunner December 2013</p>	 <p>2 375% Due 2022 A3/A-/-</p> <p>€500,000,000</p> <p>Joint Bookrunner December 2013</p>	 <p>3 125% due 2023 ---/A-/-</p> <p>€750,000,000</p> <p>Joint Bookrunner July 2013</p>	 <p>€750m 2% 2020 €750m 2 875% 2025 /A-</p> <p>€1,500,000,000</p> <p>Joint Lead Manager June 2013</p>
	 <p>2 875% Due 2020 Baa1/BBB/BBB+</p> <p>€600,000,000</p> <p>Joint Lead Manager May 2013</p>	 <p>£80m 3 625% 2022 £250m 4 5% 2036 £150m 1 548% i/L 2045</p> <p>€480,000,000</p> <p>Joint Placement Agent January 2013</p>	 <p>3 625% Due 2017 Baa3/BBB+</p> <p>€500,000,000</p> <p>Joint Bookrunner November 2012</p>	 <p>4 375% Due 2019 Baa3/BBB+/BBB+</p> <p>€500,000,000</p> <p>Joint Bookrunner November 2012</p>
	 <p>4 25% Due 2044 A3/A-</p> <p>€500,000,000</p> <p>Joint Lead Manager August 2012</p>	 <p>7% Perpetual Baa2/BBB</p> <p>€750,000,000</p> <p>Joint Bookrunner March 2012</p>	 <p>4 75% Due 2021 Baa1/BBB+/BBB+</p> <p>£150,000,000</p> <p>Joint Lead Manager March 2012</p>	 <p>4 875% Due 2020 A2/A+</p> <p>€250,000,000</p> <p>Joint Bookrunner February 2012</p>
	 <p>2 250% Due 2020 ---/BBB/BBB+</p> <p>€500,000,000</p> <p>Joint Bookrunner January 2014</p>	 <p>6 5% Due 2031 ---/BBB/---</p> <p>£60,000,000 (tap)</p> <p>Joint Bookrunner November 2013</p>	 <p>6mEL + 180 Due 2023 ---/BBB/---</p> <p>£60,000,000</p> <p>Joint Bookrunner July 2013</p>	 <p>3 25% Due 2020 Baa1/---/BBB</p> <p>€500,000,000</p> <p>Joint Bookrunner June 2013</p>
	 <p>3m€+58bps Senior Unsecured Baa1/BBB+</p> <p>€500,000,000</p> <p>Joint Bookrunner April 2013</p>	 <p>3 334% Index Linked Due 2039 A-/A-</p> <p>£460,000,000</p> <p>Joint Lead Manager 2009 2011 2012</p>	 <p>\$550m 3 79% 2028 £117m 4 21% 2031 £58m FRN 2031 £50m 4 72% 2036</p> <p>\$915,000,000 eq.</p> <p>Joint Placement Agent September 2012</p>	 <p>7 125% Due 2024 BBB/BBB Class B</p> <p>£600,000,000</p> <p>Joint Lead Manager February 2012</p>

Appendix A: Unparalleled Experience in Leading and Trading Sterling Project Bonds

 Holyrood Student Accommodation 5.533% due 2048 1.9713% (I/L) due 2048 A2/AA-/... £63,000,000 Sole Bookrunner	 Unwrapped Project Bond 2.057% IL Due 2054 (Rated A-) £143,500,000 Sole Bookrunner	 upp University Partnerships Programme £307.1m 4.9023% 2040 £75m 2.7291% I/L 2047 £382,000,000 Joint Lead Manager	 Consort healthcare Salford Hope Hospital Index-Linked Bonds due 2042 £158,900,000 Advisor & Joint Lead Arranger
 Broomfield Hospital PFI Project 2.2212% Indexed Bonds due 2043 £193,000,000 Advisor & Lead Arranger	 M1 Westlink DBFO Road FSA wrapped, 1.609% indexed bonds due 2036 £152,000,000 Sole Lead Arranger	 M77 DBFO Road XL wrapped, 5.404% fixed rate bonds due 2034 £150,000,000 Sole Lead Arranger	 Central Manchester Hospitals PFI Project Ambac wrapped, 2.411% indexed bonds due 2040 £218,000,000 Lead Arranger
 Colchester Garrison PFI Project Ambac wrapped, 5.337% fixed rate bonds due 2038 £580,000,000 Lead Arranger	 Dundee Schools PPP Project Ambac wrapped, 1.948% indexed bonds due 2037 £104,000,000 Sole Lead Arranger	 Advice on Management of RPI Linked Market Barts & Royal London £750,000,000 Advisor to DH	 North Lanarkshire Schools PPP Project XL wrapped, 2.343% indexed bonds due 2036 £88,000,000 Sole Lead Arranger
 Sheffield University Student Accommodation FSA wrapped, 1.8415% indexed bonds due 2045 £152,000,000 Sole Lead Arranger	 Home Office Redevelopment PFI Project Ambac wrapped, 3.237% indexed bonds due 2030 & 5.661% fixed rate bonds due 2031 £274,000,000 Sole Lead Arranger	 Treasury Building - East PFI Project FSA wrapped, 5.396% fixed rate bonds due 2036 £165,000,000 Sole Lead Arranger	 Tameside General Hospital Index-Linked Bonds due 2041 £93,300,000 Advisor & Joint Lead Arranger
 Amey Lagan Roads Financial plc Indexed-Linked Bonds due 2037 £146,000,000 Joint Lead Arranger	 Newcastle Hospitals PFI Project XL wrapped, 2.187% indexed bonds due 2041 £238,000,000 Sole Lead Arranger	 Highlands Schools PPP Project Ambac wrapped, 4.792% fixed rate bonds due 2036 £100,000,000 Sole Lead Arranger	 Belfast Gas Transmission FSA wrapped, 2.207% indexed bonds due 2048 £119,000,000 Sole Lead Arranger