

~~Proposed~~ PNL Licence Modifications

Last Updated ~~9 June~~ 28 October 2016

Phoenix Natural Gas Limited

LICENCE FOR THE CONVEYANCE OF GAS IN NORTHERN IRELAND

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GRANT AND TERM OF LICENCES

Combined Licences granted under Article 8 of the Gas (Northern Ireland) Order for the Conveyance and Supply of gas

The Grant

1. Grant of Licences

The Department, in exercise of the powers conferred by Article 8(1) of the Gas (Northern Ireland) Order 1996 (the "Order") grants to Phoenix Natural Gas Limited (the "Licensee") the following licences:

- (a) a licence to convey gas in the areas designated in Schedule 1 during the period specified in paragraph 3 below, subject to the Conditions set out in Parts 1 and 2 and the Schedules of this Licence Document; and
- (b) a licence to supply gas in the areas designated in Schedule 1 during the period specified in paragraph 3 below, subject to the Conditions set out in Parts 1 and 3 and the Schedules of this Licence Document.

2. Modification and Revocation of Conditions

The Conditions referred to above are subject to modification or amendment in accordance with their terms and/or with Articles 9, 14, 17, 17A and 18 of the Order and/or with any provision for the modification of the same in the Energy Order. Each of the licences granted is further subject to the terms as to revocation specified in Schedule 3 of this Licence Document.

3. Term of Licences

Each of the licences granted shall come into force on 5th September 1996 and, unless revoked in accordance with the terms specified in Schedule 3, shall continue in force until determined by not less than 25 years notice in writing given by the Department to the Licensee in relation to that licence, such notice not to be served earlier than 1st January, 2007.

5 September 1996

David Gibson

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Deputy Secretary

Department of Economic Development

PART 1

GENERAL CONDITIONS APPLICABLE TO THE LICENCE HOLDER

Condition 1.1: Interpretation and Construction

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

Unless the contrary intention appears:

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

1.1.2 General Rules of Construction

Unless otherwise specified:

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

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

1.1.3 Headings

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

1.1.4 Time Related Obligations

Save as otherwise provided in Condition 1.2.1, where any obligation of the Licensee is expressed to require performance within a specified time limit that obligation shall continue to be binding and enforceable after that time limit if the Licensee fails to perform that obligation within that time limit (but without prejudice to all rights and remedies available against the Licensee by reason of the Licensee's failure to perform within the time limit).

1.1.5 Natural Persons

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

1.1.6 Definitions

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

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| "affiliate" | means, in relation to any person, any company which is a subsidiary of such person or a company of which such person is a subsidiary or a company which is another subsidiary of a company of which such person is a subsidiary; |
| "amount" | means, in relation to gas the energy content thereof expressed in therms or kilowatt hours; except with effect from 1st January 2000, it means the said content expressed in kilowatt hours; |
| "auditors" | means the Licensee's auditors for the time being holding office in accordance with the requirements of the Companies (Northern Ireland) Order 1986; |
| "Authority" | means the Northern Ireland Authority for Utility Regulation; |
| "authorisation of persons" | means the power of the Licensee to authorise persons, pursuant to Schedule 5 of the Order; |
| "balancing" | means (in relation to the Network and relevant period for balancing under the Network Code) taking such measures as may be available to the Licensee, in particular measures: (i) for managing the relationship between deliveries of gas to and offtakes from the Network during that period; and (ii) to maintain pressures in the Network at all levels; |

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which will in the reasonable opinion of the Licensee, ensure the safety and efficiency of the Network in that or any subsequent relevant period;

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| "consumer" | means any person supplied with gas to premises; |
| "Department" | means the Department of Enterprise, Trade and Investment; |
| "development plan" | means the Licensee's plan to develop the Network under Schedule 4; |
| "distribution pipeline" | means any pipeline which is not a transmission pipeline. |
| "distribution system operator" | means any person authorised to convey gas through distribution pipelines by virtue of holding a licence granted under Article 8(1)(a) or the Order. |
| "district" | means an area so designated in an approved map under Schedule 1; |
| "domestic consumer" | means a consumer supplied, or requiring to be supplied, with gas at Domestic Premises; |
| "domestic premises" | means premises where the supply of gas is taken wholly or mainly for domestic purposes; |
| "Electoral Ward" | means the spatial unit used to elect local government councillors into district council areas, as at 15 March 2006. Any dispute as to the boundaries of such spatial unit shall be determined by the Authority by reference to the map of such spatial unit held at the Northern Ireland Statistics and Research Agency; |
| "Energy Order" | means the Energy (Northern Ireland) Order 2003; |

“Exclusive Area”

means the area referred to in paragraphs 1.1(a), 1.1(e) and 1.2(b)-(i) of Schedule 1 (as comprising part of the Licensed Area) which is designated under Article 9 of the Order as being the area in which the Licensee has exclusive authority to carry on the conveyance of gas in accordance with the provisions of this Licence Document.

2. The areas to which conveyance exclusivity under the licence is to be extended (until 31 December 2016) are:

(a) the areas within the boundaries of the following Electoral Wards:

- (i) Comber North;
- (ii) Comber South;
- (iii) Comber East;
- (iv) Comber West; and
- (v) Lisbane; and

(b) the Temple Quarry area comprising:

- (i) the premises at the Temple Quarry, 26 Ballycarngannon Road, Lisburn, BT27 6YA;
- (ii) the land in on or over which the Quarry Pipeline is situated;
- (iii) any premises which are, at any given location, situated within a 50 metre radius of the Quarry Pipeline; and
- (iv) the land in on or over which pipelines are situated for the purpose of

conveying gas to premises specified in paragraph (b)(iii) above,

where “the Quarry Pipeline” means the distribution pipeline of the Licensee which pipeline follows the route of the A24 (as proceeding South from the boundary of the area described in paragraph 1.1(a) of Schedule 1) continuing South along the A24 to the junction of the Carr Road, continuing North-West along the Carr Road to the junction with the B178, continuing South-West along the B178 to the junction with the Ballycarngannon Road and continuing south along the Ballycarngannon Road to (and terminating at) the premises specified in paragraph (b)(i) above.

- (c) the McQuillan Quarry area comprising:
- (i) the premises at the McQuillan Quarry, 15 Sycamore Road, Budore, BT29 4JE;
 - (ii) the land in on or over which the McQuillan Quarry Pipeline is situated;
 - (iii) any premises which are, at any given location, situated within a 50 metre radius of the McQuillan Quarry Pipeline; and
 - (iv) the land in on or over which pipelines are situated for the purpose of conveying gas to premises specified in paragraph (c)(iii) above,

where “the McQuillan Quarry Pipeline” means the distribution pipeline of the Licensee which pipeline follows the route of the Upper Springfield Road, Divis Road, Tornaroy Road, Wheelers Road, Tornagrough Road, Tullyrusk Road and continuing along the Sycamore Road to (and terminating at) the premises specified in paragraph (c)(i) above.

(d) the Cranmore Pet Crematorium area comprising:

- (i) the premises at the Cranmore Pet Crematorium, 45 Tullyrusk Road, Dundrod, Crumlin, BT29 4OH;
- (ii) the land in on or over which the Cranmore Pet Crematorium Pipeline is situated;
- (iii) any premises which are, at any given location, situated within a 50 metre radius of the Cranmore Pet Crematorium Pipeline; and
- (iv) the land in on or over which pipelines are situated for the purpose of conveying gas to premises specified in paragraph (d)(iii) above,

where “the Cranmore Pet Crematorium Pipeline” means the distribution pipeline of the Licensee which pipeline follows the route from the junction of Budore Road and Tullyrusk Road, continuing along the Tullyrusk Road to (and terminating at) the

premises specified in paragraph (d)(i) above.

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| "exemption holder" | means the holder of an exemption under Article 7 of the Order; |
| "exercise of powers of entry" | means the Licensee entering any premises, in accordance with the powers conferred by Schedule 5 of the Order; |
| "gas supplier" | means any person authorised by licence under Article 8 of the Order or by exemption under Article 7 of the Order to supply gas; |
| "General Consumer Council" | means the General Consumer Council for Northern Ireland. |
| "Grant" | means the commencing section of this Licence Document by which the Department grants the Licensee the licence; |
| <u>"high pressure pipe-line"</u> | <u>means any pipe-line having a design operating pressure exceeding 7 bar gauge;</u> |
| "holding company" | has the same meaning as given to it under Article 4 of the Companies (Northern Ireland) Order 1986; |
| "information" | includes documents, accounts, estimates, returns, reports or other information; |
| "Licence Document" | means the Grant of this conveyance licence to the Licensee and Parts 1 and 2 of this conveyance licence together with the Schedules thereto; |
| "Licensed Area" | means the area in which the Licensee is authorised to convey gas pursuant to Schedule 1 of this Licence Document; |

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| "Licensed Business" | means the activities connected with the conveyance of gas pursuant to the conveyance licence granted under paragraph 1(a) of the Grant; |
| "Licensee" | means Phoenix Natural Gas Limited; |
| <u>"low pressure pipe-line"</u> | <u>means any pipe-line which is not a high pressure pipe-line;</u> |
| "Network" | "means all the pipe-lines (as defined by the Gas (Northern Ireland) Order 1996, and shall also include any plant, equipment or apparatus used for, or for any purposes connected with, the conveyance of gas) within the Licensed Area that are owned and/or operated by any licensee, which pipe-lines shall, in the case of conveyance to consumer's premises and for the purposes of this definition, be deemed to terminate immediately prior to the inlet of the first gas meter at such premises." |
| "non-domestic consumer" | means a consumer who is not a domestic consumer; |
| "non-domestic premises" | means premises which are not domestic premises; |
| "Order" | means the Gas (Northern Ireland) Order 1996; |
| "person" | means any company, firm, partnership, association, body corporate or individual; |
| "quarter" | means a period of three calendar months; |
| "related undertaking" | means any undertaking in which any person has a participating interest <u>within the meaning of section 421A of the Financial Services and Markets Act 2000</u> as defined by Article 268 of the Companies (Northern Ireland) Order 1986; |

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| "separate accounts" | means the accounts which are to be prepared for each Separate Business; |
| "Separate Business" | <p>means each of the activities of the Licensee connected with:</p> <p>(a) the conveyance of gas by means of distribution pipeline pursuant to a licence granted in accordance with Article (8)(1)(a) of the Order; and</p> <p>(b) the storage of gas pursuant to a licence granted in accordance with Article 8(1)(b) of the Order.</p> <p>each taken separately from one another and from any other business of the Licensee or any affiliate or related undertaking of the Licensee, but so that where all or any part of any such business is carried on by an affiliate or related undertaking of the Licensee (save in respect of an affiliate or related undertaking which has a separate licence or exemption), such part of the business as is carried on by that affiliate or related undertaking shall be consolidated with any other such business of the Licensee (and of any other affiliate or related undertaking of the Licensee) so as to form a single Separate Business; and</p> |
| "subsidiary" | has the same meaning as given to it in Article 4 of the Companies (Northern Ireland) Order, 1986. |
| "transmission pipeline" | means any pipeline having a design operating pressure exceeding 7 bar gauge. |

“ultimate controller”

means, in respect of the Licensee:

(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 Licensee, or any holding company of the Licensee, by virtue of:

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

(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,

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 person.

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) above.

“working day”

means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a

bank holiday within the meaning of the Banking and Financial Dealings Act 1971.

1.1.7 References to energy

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

1.1.8 Singular/plural

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

1.1.9 Application

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

1.1.10 Grant

The licence to supply gas referred to in paragraph 1(b) of the Grant was revoked with the agreement of the Licensee on 2009.

Condition 1.2: Long Term Development Plan

1.2.1 The Licensee's Development Plan

The Licensee shall:

- (a) continue to develop the Network in the Licensed Area in accordance with paragraph 1 of Schedule 4 if at any time it has ceased under Condition 2.2.3 to be entitled exclusively to convey gas to premises in any three districts or in the whole of the Licensed Area;
- (b) such obligation shall include the development of the Network with respect to those three districts or the Licensed Area as the case may be (notwithstanding such cessation of exclusivity) as soon as is reasonably practicable having regard to Schedule 4; and
- (c) where the Licensee should cease to be entitled exclusively to convey gas to premises in any three districts, then such obligation to develop the Network with respect to the other remaining districts shall be to do so whether or not the Licensee should subsequently cease to be entitled exclusively to convey gas to premises in any of those other remaining districts;

provided that the Licensee's obligations under this Condition 1.2.1 shall cease if within six months of the Licensee's loss of exclusivity the Licensee has not continued to develop the Network, in contravention of Condition 1.2.1(a), and the Authority has not given the Licensee notice that it intends to make a provisional or final order for the purposes of and under Article 42 of the Energy Order.

1.2.1A The Licensee's Development Plan for the Areas listed in Annex 3 to Schedule 4

The Licensee shall develop the Network in each of the areas listed in Annex 3 to Schedule 4 in accordance with paragraph 1 of Schedule 4.

1.2.2 Annual Development Plan Report

Without prejudice to the generality of Condition 1.2.1 the Licensee shall no later than the 1st March of each year provide the Authority with a report of its progress in the

development of the Network in the Licensed Area for the immediately preceding year ending on the 31st December having regard for;

- (a) the development of the Network under paragraphs 1 and 4 of Schedule 4;
and

- (b) the development of the markets under paragraphs 2 and 4 of Schedule 4,

and further shall by that report set out for the next succeeding three years its planned development of the Network having regard to the above matters.

The obligations to provide such a report shall cease generally in respect of the year following the twelfth anniversary of the date of the Grant and each succeeding year thereafter.

1.2.3 Publication of Report

The Licensee shall, subject to any requirement to comply as is appropriate with the listing rules (within the meaning of Part IV of the Financial Services Act 1986) of the Stock Exchange and with Condition 1.2.4:

- (a) publish the report provided under Condition 1.2.2 in such form and manner as the Authority may direct; and
- (b) send a copy of that report to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which shall not exceed such amount as the Authority may from time to time direct.

1.2.4 Particular interests

In complying with the requirements of Condition 1.2.3, the Licensee shall have regard to the need for excluding, so far as practicable:

- (a) any matter which relates to the affairs of an individual, where the publication of that matter would or might seriously and prejudicially affect the interests of that individual; and

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

and in directing the publication of the report under Condition 1.2.3 the Authority shall have regard, so far as practicable, to the need to exclude publication of a matter that would or might seriously and prejudicially affect the commercial interests of the Licensee in its business.

1.2.5 Determination by Authority of particular interests

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

Condition 1.3: Separate Accounts for Separate Businesses

1.3.1 Financial years

For the purposes of this Condition the first financial year of the Licensee shall run from the 5th September 1996 to 31st December 1996 and thereafter each financial year of the Licensee shall run from 1st January to the following 31st December.

1.3.2 Separate Business Accounting

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

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

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

1.3.3 Separation of Internal Accounts

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

- (a) a profit and loss account;
- (b) a statement of net assets at the end of the period;

- (c) a cash flow statement for the period with a reconciliation to the financial statements specified in sub-paragraphs (a) and (b) above; and.
- (a) a balance sheet.

1.3.4 Apportionment

The financial statements prepared under Condition 1.3.3 shall set out and fairly present the costs (including depreciation), revenues, assets employed and liabilities of, or as may be reasonably attributable to, each Separate Business and showing separately and in appropriate detail the amounts of any revenue, cost, asset or liability which has been:

- (a) charged from or to any other business of the Licensee (or of any affiliate or related undertaking of the Licensee); and/or
- (b) apportioned between that Separate Business and any other business (such apportionment to be undertaken in accordance with the basis of apportionment approved by the Authority in accordance with Condition 1.3.5),

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

1.3.5 Basis of apportionment

The Licensee shall, before the financial year commencing on 1st January 1997, notify the Authority of the basis of apportionment that it proposes to use for the financial statements in respect of each Separate Business for that financial year, and:

- (a) the basis of apportionment in respect of those financial statements shall be the basis so proposed by the Licensee unless the Authority following consultation with the Licensee gives a direction requiring the use of any other basis; and
- (b) except in so far as the Authority consents to the Licensee doing so, the Licensee shall not change any basis of apportionment used in the financial statements in respect of any Separate Business for any financial year subsequent to the financial year commencing on 1st January 1997 from the

basis used in the financial statements in respect of that Separate Business for that financial year.

1.3.6 Auditor's Reports

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

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

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

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

1.3.8 Form of financial statements

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

- (a) conform to UK generally accepted accounting principles and practices;
- (b) state the accounting policies adopted; and

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

1.3.9 Publication of Accounting Statements

The Authority may for the financial year commencing on 1st January 2000 and each succeeding financial year direct the Licensee to publish such accounting statements and reports (including but not limited to an auditor's report) as the Licensee is required to deliver to the Authority under this Condition 1.3 with the annual accounts of the Licensee. Provided however, that any part of such statements and reports which shows separately amounts charged, apportioned or allocated between Separate Businesses, and describes the basis of charge or apportionment or allocation shall, at the request of the Licensee, be excluded from publication where the Authority is reasonably satisfied that publication would or might seriously and prejudicially affect the commercial interests of the Licensee in its business.

1.3.10 Construction of "costs or liabilities"

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

1.3.11 Additional Definition

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

1.3.12 The Licensee shall set out in notes to its annual accounts any transactions relating to the Licensed Business over £500,000 with related undertakings.

For the purpose of this Condition 1.13.12, a "related undertaking" is:

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

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

1.3.13 Provision of Accounts to the Department

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

1.3.14 Associated Undertakings

The Licensee shall set out, in notes to the published accounts referred to in Condition 1.3.8(c), any transaction relating to any Separate Business that was undertaken with an associated undertaking and that has a value of over £500,000.

For the purpose of this Condition 1.3.14, an “associated undertaking” is:

- (a) any company in respect of which the Licensee (or an affiliate or related undertaking of the Licensee) holds 20% or more of the shares; or
- (b) any company in respect of which the Licensee (or an affiliate or related undertaking of the Licensee) has the right to appoint or to remove a majority of the members of the board and is at the same time either a shareholder in that company or controls, pursuant to a shareholders' agreement, a majority of voting rights in that undertaking.

Condition 1.4: Provision of Information to the Authority

1.4.1 Furnishing information

Subject to Conditions 1.4.2 and 1.4.3 below, the Licensee shall furnish to the Authority, in such manner and at such times as the Authority may reasonably require, information as the Authority may reasonably require or as may be necessary for the purpose of performing any of its functions relating to gas as conferred on, or assigned or transferred to, it by or under any legislation.

1.4.2 Licensee to comment on accuracy of information

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

1.4.3 Condition 1.4 exclusive of other powers to require information

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

1.4.4 Condition 1.4 and other powers to require information

Where the Licensee is or can be required to provide information to the Authority under any Condition other than this Condition, there shall be a presumption that the provision of that information in accordance with the Condition in question is sufficient for the purposes of that Condition, but that presumption shall be rebutted and shall not limit the right of the Authority to call for further information under Condition 1.4.1 if it states in writing that in its opinion such information is, or is likely to be, necessary to enable it to exercise functions under the Condition in question.

1.4.5 Limitation on obligation to furnish information

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

Condition 1.5: Consultation with the General Consumer Council

1.5.1 Policy statements for General Consumer Council

The Licensee shall in due time consult with the General Consumer Council in the formulation of:

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

and shall:

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

Condition 1.6: Restriction on Use of Certain Information

1.6.1 Use of protected information

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

- (a) that the Licensee shall not obtain any unfair commercial advantage from its possession of protected information with respect to any Separate Business;
- (b) that protected information is not used by any other person for the purpose of obtaining for that person:
 - (i) any unfair commercial advantage from its possession of protected information;
 - (ii) any licence;
 - (iii) any exemption;
 - (iv) control of any body corporate which, directly or indirectly, has the benefit of any such licence or exemption; and
- (c) that protected information is not disclosed except with the prior consent in writing of the relevant person to whose affairs the protected information relates;

provided that the obligation on the Licensee:

- (d) to procure the above in relation to an affiliate or related undertaking which has control of the Licensee (control being defined by Section 416 of the Income and Corporation Taxes Act 1988), shall be to do so by using reasonable endeavours and obtaining an appropriate contractual undertaking from that affiliate or related undertaking in respect of such protected information; and
- (e) not to obtain any unfair commercial advantage from its possession of protected information under Condition 1.6.1(a) shall be construed to exclude protected information received by any Separate Business not engaged in the conveyance

of gas independently of the Separate Business engaged in the conveyance of gas.

1.6.2 Compliance with directions

The Licensee shall implement such measures and procedures and take all such other steps as shall be specified in directions issued by the Department from time to time under Article 45 of the Order or otherwise for the purposes of this Condition as reasonably appear to the Department to be requisite or expedient for the purpose of securing compliance by the Licensee with its obligations under Condition 1.6.1 in the conduct of its business to convey gas.

1.6.3 Limitation of non disclosure obligations

Condition 1.6.1(c) shall not apply to any disclosure of information:

- (a) authorised by Article 63(3) or (4) of the Energy Order;
- (b) made in compliance with the duties of the Licensee or any affiliate or related undertaking of the Licensee under the Order or the Energy Order or with any other requirement of a competent authority;
- (c) made in compliance with the Conditions of this Licence Document or any document referred to in this Licence Document with which the Licensee or any affiliate or related undertaking of the Licensee is required by virtue of the Order or the Energy Order or this Licence Document to comply;
- (d) necessary in order to enable the person to whom such information is disclosed to enter into arrangements with the Licensee for the conveyance of gas, or in order to give effect to such arrangements; or
- (e) necessary in order to enable any agent appointed by the Licensee to fulfil the Licensee's balancing obligations under the Licence.

1.6.4 Additional definition In this Condition:

"protected information" means any commercially confidential information which relates to the affairs of a person who is not an affiliate or

related undertaking of the Licensee holding a licence or exemption to convey, store or supply gas (or any affiliate or related undertaking of that person) and which has been furnished to or otherwise acquired by the Licensee under or pursuant to or in the course of any dealings with that person or any affiliate or related undertaking of his, other than information which is in, or comes into, the public domain other than as a result of a breach by the Licensee of this Condition or of any Conditions of this Licence Document.

Condition 1.7: Powers of Entry

1.7.1 Arrangements for powers of entry

The Licensee shall, unless it has done so before being licensed, in relation to the licence granted under paragraph 1(a) of the Grant and within six months of such licence coming into force:

- (a) submit to the Authority a statement of its proposed arrangements in respect of the matters mentioned in Condition 1.8;
- (b) if within 30 days of such submission the Authority notifies the Licensee that, in its opinion, the arrangements are not sufficient for the purposes of Condition 1.8, make changes to the arrangements requisite to secure compliance with such conditions as are specified by the Authority; and
- (c) make such arrangements;

and the arrangements so made in this Condition and in Condition 1.8 are referred to as "the arrangements".

1.7.2 Changes in arrangements for extensions to licence

In the event of an extension of its licence, the Licensee shall ensure that the arrangements remain sufficient for the purposes of Condition 1.8 and shall make, subject to Condition 1.7.3, any necessary changes.

1.7.3 Consent of Authority to changes

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

1.7.4 Conduct with domestic consumers

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

Condition 1.8: Authorisation of Persons

1.8.1 Steps to be included in the arrangements

The arrangements shall comprise all reasonable steps:

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

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

The Licensee shall not authorise any person to exercise any powers of entry conferred by Schedule 5 to the Order unless the steps provided for in the arrangements described in Condition 1.8.1(a), (b) and (c) have been complied with and it appears to the Licensee that he is such a fit and proper person.

1.8.3 Licensee to take reasonable steps to keep relevant persons informed

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

Condition 1.9: Exercise of Powers of Entry

1.9.1 Licensee to avoid undue disturbance

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

1.9.2 Construction of Condition 1.9.1

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

Condition 1.10: Modifications

1.10.1 Modification of Licence Conditions

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

Condition 1.11: Assignment of Licence

1.11.1 Licensee's ability to assign its licence

For the purposes of Article 12 of the Order, the Licensee with the prior consent of the Authority, may assign the licence granted under paragraph 1(a) of the Grant either generally, or so far as relating to the whole or any part of the Licensed Area.

1.11.2 Matters affecting an assignment

In deciding whether to give its consent under Condition 1.11.1 the Authority shall apply those criteria contained in Article 12(3) of the Order, and any consent shall be subject to compliance with the matters determined by the Authority under Article 12(4) of the Order.

1.11.3 Licensee may not otherwise assign its licence

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

Condition 1.12: Transfer of Business

1.12.1 Restrictions on transfer of business in conveying gas

Subject to Condition 1.12.2, the Licensee shall not transfer to another person (the "transferee") all or part of any of its business comprising the conveyance of gas carried out under the licence granted under paragraph 1 (a) of the Grant.

1.12.2 Exception to Condition 1.12.1

Nothing in Conditions 1.12.1 shall prevent the Licensee from transferring all or the relevant part of its businesses to the assignee where the Authority has consented to the assignment of all or the relevant part of the licence under Article 12 of the Order or the Licensee has assigned all or the relevant part of its licence in accordance with Condition 1.11.

Condition 1.13: Disposal of Relevant Assets

1.13.1 Licensee not to dispose of or relinquish operational control of relevant assets

Except:

- (a) in relation to an assignment permitted under Condition 1.11 and the disposal or relinquishing of operational control of any relevant asset necessary for the assignment to have effect; or
- (b) in relation to a transfer of business permitted under Condition 1.12 and the disposal or relinquishing of operational control of any relevant asset necessary for the transfer to have effect; or
- (c) in so far as the Authority consents to the Licensee so doing; or
- (d) in relation to relevant assets which do not form an integral part of the Network, or are not otherwise required for continuous system control and data acquisition or the safe and continuous operation of the Network, which may be the subject of arms length asset and financing leasing arrangements;

the Licensee shall not dispose of or relinquish operational control over any relevant asset if the disposal or relinquishing of control would materially affect its ability to discharge its obligations under the Order or the Energy Order or the carrying on of activities authorised or required by this Licence Document and any question arising under this Condition 1.13.1 as to whether such disposal or relinquishing of control is such as aforesaid shall be determined by the Authority.

1.13.2 Notice to be given to Authority

Save as provided in Condition 1.13.3 or in so far as the Authority otherwise consents, the Licensee shall give to the Authority not less than two months' prior written notice of its intention to dispose of or relinquish operational control over any relevant asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset.

1.13.3 Notice not required for minor disposals

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

- (a) the disposal of or relinquishing of operational control of such relevant asset would not materially affect the Licensee's ability to discharge its obligations under the Order or the Energy Order or the carrying on of activities required by this Licence Document; and
- (b) the disposal or relinquishing of any such relevant assets does not exceed an aggregate value of £200,000 in September 1996 prices (such sum to be adjusted annually by reference to the retail price index), in any period of twelve months.

1.13.4 Disposal allowed with consent of the Authority

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

- (a) the Authority confirms in writing that it consents to such disposal or relinquishment before such disposal or relinquishment occurs (which consent may be made subject to the acceptance by the Licensee or any third party in favour of whom the relevant asset is proposed to be disposed or operational control is proposed to be relinquished of such conditions as the Authority may specify); or
- (b) the Authority does not inform the Licensee in writing of any objection to such disposal or relinquishment of control within the notice period referred to in Condition 1.13.2.

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1.13.5 Consultation with other licence holders

Any consent of the Authority pursuant to Condition 1.13.4 shall be given after the Authority shall have consulted and taken into consideration any representations made in a timely manner by any other licence holder liable to be materially affected by the disposal in question.

1.13.6 Construction of relevant asset

For the purposes of this Condition, relevant asset means any part of the Network operated from time to time by the Licensee or any gas plant used by the Licensee for or for purposes connected with the conveyance of gas in the Licensed Area, together with any estate or interest in land required for the utilisation of the Network or gas plant not comprised in the Network.

1.13.7 Additional Definition

In this Condition:

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

Condition 1.14: Payment of Fees to the Authority

- 1.14.1 In respect of each year, beginning on 1 April, during which the Licence is in force, the Licensee shall pay to the Authority a fee of the amount determined in accordance with this Condition (the **licence fee**).
- 1.14.2 The Licensee shall pay to the Authority the licence fee for each year (the relevant year) within 30 days of the Authority giving notice to the Licensee of the amount due from the Licensee for the relevant year.
- 1.14.3 For each relevant year, the licence fee shall be the total of:
- (a) an amount that is the Relevant Contribution to the Estimated Costs of the Authority for the relevant year;
 - (b) an amount that is the Relevant Contribution to the Estimated Costs of the Consumer Council with regard to the exercise of its functions relating to gas consumers for the relevant year; and
 - (c) an amount which is the difference (which may be a positive or negative amount), if any, between:
 - (i) the licence fee that would have been due from the Licensee for the year immediately preceding the relevant year (the **previous year**) had such fee been calculated in relation to the actual costs of:
 - (A) the Authority for the previous year; and
 - (B) the Consumer Council with regard to the exercise of its functions relating to gas consumers for the previous year; and
 - (ii) the licence fee paid by the Licensee for the previous year,
- provided that where the Licence is in force for only a part of the relevant year, the amount payable in respect of that year shall be a proportionate part of the licence fee due for the full year.

- 1.14.4 Where:

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

the Authority may, where it is reasonable for it to do so taking into consideration the timing of the Revised Costs and the provisions of paragraph 1.14.3(c), refund to the Licensee the difference between the amount of the licence fee paid by the Licensee and the amount of the lower licence fee referred to in paragraph 1.14.4(c) above.

- 1.14.5 Where the Licensee fails to pay the amount of the licence fee as notified to it under paragraph 1.14.2 above within the 30 day period specified, it shall with effect from the end of that 30 day period pay simple interest on the amount at the rate which is from time to time equivalent to the base lending rate of an institution designated by the Authority for this purpose.

- 1.14.6 In this Condition:

“Estimated Costs”

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

relevant year, the costs estimated by the Authority (having regard to any estimate of such costs in any forward work programme published by the Consumer Council in respect of the relevant year) as likely to be the costs of the Consumer Council for the relevant year.

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

Condition 1.15: Notices

1.15.1 Notices

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

Licensee: Phoenix Natural Gas Limited
197 Airport Road West
Belfast
BT3 9ED
Northern Ireland
Facsimile Telephone Number 028 9055 5500

Authority: Northern Ireland Authority for Utility Regulation,
Queen's House,
14 Queen Street,
Belfast, BT1 6ER
Facsimile Telephone Number (02890) 311575

Department: Department of Enterprise, Trade and Investment,
Energy Division,
Netherleigh,
Massey Avenue,
Belfast, BT4 2JP
Facsimile Telephone Number (02890) 529549

1.15.2 Receipt

Any notice given under the provisions of Condition 1.15.1 shall be deemed to have been duly delivered and received:

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

Condition 1.16: Independence of the Licensed Business

1.16.1 Application

This Condition shall apply to the Licensee where:

- (a) it conveys, or is authorised to convey, gas through low pressure pipe-lines;
- (b) any affiliate or related undertaking of the Licensee is carrying on the activities of an Associated Business; and
- (c) the Licensee and/or any Relevant Affiliate of the Licensee has (whether individually or in aggregate) at least 100,000 premises connected to any gas conveyance network consisting of low pressure pipe-lines which is owned or operated by the Licensee or any Relevant Affiliate of the Licensee.

Where this Condition has begun to take effect by virtue of paragraphs (a), (b) and (c) above being satisfied, it shall have effect at all times following that date.

~~This Condition shall apply where the Licensee (or any affiliate or related undertaking of the Licensee) is at any time carrying on the activities of an Associated Business.~~

1.16.2 Managerial and Operational Independence

Where this Condition applies the Licensee shall:

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

the full managerial and operational independence of the Authorised Business from any Associated Business.

1.16.3 Branding of the Licensed Business

Where this Condition applies the Licensee shall use its best endeavours to ensure that:

- (a) any Brand used by the Licensed Business; and
- (b) any communication (including advertising) that:

- (i) includes or refers to a Brand used by the Licensed Business; and
- (ii) is issued, published or sent to any person by or on behalf of the Licensed Business,

does not create confusion as to the separate identities of:

- (c) the Licensed Business; and
- (d) any Associated Gas Supply Business.

1.16.4 Conduct of the Authorised Business

Where this Condition applies the Licensee shall ensure that the Authorised Business is conducted in the manner best calculated to secure that it does not unduly discriminate as between any persons or any classes of person, or unduly prefer itself (or any affiliate or related undertaking) over any other persons or any classes of person.

1.16.5 Means of achieving Managerial and Operational Independence

In order to facilitate its compliance with Condition 1.16.2, the Licensee shall use all reasonable endeavours to ensure that:

- (a) the Authorised Business is provided with such premises, systems, equipment, facilities, property, personnel, data and management resources as are necessary for its efficient and effective managerial and operational independence;
- (b) it does not hold or acquire shares in any Associated Gas Supply Business or in any Holding Company of any such Associated Gas Supply Business;
- (c) subject to any financial supervisory rights of a Holding Company of the Licensee as provided for in the Licensee's financial plan, commercial and operational decisions relating to the operation, maintenance and development of the Licensee's Network are taken only by those persons who are employed by, and are engaged in the operation and management of, the Authorised Business;
- (d) any Associated Business may not use or have access to:

- (i) premises or parts of premises occupied by persons engaged in the management or operation of the Authorised Business;
 - (ii) systems for the recording, processing or storage of data to which persons engaged in the management or operation of the Authorised Business also have access;
 - (iii) commercially sensitive or confidential information relating to, or derived from, the Authorised Business;
 - (iv) equipment, facilities or property employed for the management or operation of the Authorised Business;
 - (v) the services of persons who are (whether or not as their principal occupation) engaged in the management or operation of the Authorised Business (save to the extent the Authority consents to such use or access); and
- (e) it can and does, insofar as is legally possible:
- (i) ensure that any director of the Licensee is not at the same time also a director of a company which carries on an Associated Gas Supply Business; and
 - (ii) prevent any person who has ceased to be engaged in the management or operation of the Authorised Business from being employed by, or engaged in the activities of, any Associated Business until the expiry of an appropriate time from the date on which he ceased to be engaged by the Authorised Business.

1.16.6 Provision and Use of Information

In order to facilitate its compliance with condition 1.16.4 the Licensee shall ensure that:

- (a) any communications made by the Licensee, or on its behalf, in the course of the Licensee's Marketing Activities:

- (i) do not mislead consumers;
 - (ii) do not enable the Associated Gas Supply Business to obtain any unfair commercial advantage; and
 - (iii) are fair, and do not show any undue preference towards or undue discrimination against any gas supplier, including the Associated Gas Supply Business, both in terms of their content and presentation; and
- (b) commercially sensitive or confidential information relating to a licence holder and furnished to or otherwise acquired by the Authorised Business is not disclosed or accessible to any Associated Business without the prior written consent of the relevant licence holder.

1.16.7 Additional Definitions

In this Condition:

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| “Act” | means the Gas Act 1986, as amended from time to time; |
| “Associated Business” | means any business, other than the Authorised Business, of the Licensee (or of any affiliate or related undertaking of the Licensee) which is carrying out any activity, that requires authorisation in accordance with either Article 6(1) of the Order or section 5(1) of the Act or which is involved in the production or purchase of gas; |
| “Associated Gas Supply Business” | means any Gas Supply Business not forming part of the Authorised Business; |
| “Authorised Business” | means the Licensed Business, taken together with any other business of the Licensee (or of any affiliate or related |

undertaking of the Licensee) which is carrying on activities requiring authorisation in accordance with Article 6(1)(a) of the Order or section 5(1)(a) of the Act and which:

- (a) relate to the conveyance of gas through distribution pipelines; and
- (b) where the Licensee has so notified the Department and the Authority, relate to the conveyance of gas through transmission pipelines;

“Brand”

means any name, trade name, term, sign, symbol or design or any combination of them that identifies the Licensed Business;

“Gas Supply Business”

means any business carrying out activities that require authorisation in accordance with Article 6(1)(c) of the Order or section 5(1)(b) of the Act;

“Holding Company”

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

“Marketing Activities”

means any activities of the Licensee that are directed at, or incidental to identifying and communicating with, consumers for the purpose of promoting the activities of the Licensed Business to them.

“Relevant Affiliate”

means any affiliate or related undertaking of the Licensee which is carrying on activities which:

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- (a) require authorisation in accordance with Article 6(1)(a) of the Order or section 5(1)(a) of the Act; and
- (b) relate to the conveyance of gas through low pressure pipe-lines.

Condition 1.17: Business Separation Compliance Plan

1.17.1 Application

This Condition shall apply where Condition 1.16 applies to the Licensee.

1.17.2 Submittal of plan

The Licensee shall, no later than 28 days after Condition 1.16 first applies to the Licensee, prepare and submit to the Authority (for its approval) a compliance plan (the “**Compliance Plan**”) setting out the practices, procedures, systems and rules of conduct which the Licensee has adopted, or intends to adopt, together with the timescales for adoption, to ensure its compliance with Condition 1.16.

1.17.3 Complying with Compliance Plan

The Licensee shall use its best endeavours to comply with the Compliance Plan as approved by the Authority and revised from time to time in accordance with this Condition 1.17.

1.17.4 Authority’s role

The Authority may:

- (a) within 30 days of the Licensee submitting an initial or revised Compliance Plan; or
- (b) following any review of the Compliance Plan that the Authority may conduct from time to time,

serve notice on the Licensee:

- (c) informing the Licensee that, in the Authority’s opinion, the Compliance Plan is not, or is no longer, sufficient for the purposes of the Licensee’s compliance with Condition 1.16; and
- (d) directing the Licensee to make such revisions to the Compliance Plan as, in the Authority’s opinion, are necessary or expedient in order for the

Compliance Plan to be sufficient for the purposes of ensuring the Licensee's compliance or continued compliance with Condition 1.16.

1.17.5 Brand Separation

Without prejudice to the generality of Condition 1.17.4, the Authority may, where it is satisfied that a Brand being used by the Licensed Business, or the manner in which that Brand is being used, causes confusion as to the separate identities of the Licensed Business and any Associated Gas Supply Business, give notice directing the Licensee to make such revisions to the Compliance Plan as will provide for the Licensee to ensure that the Licensed Business does not:

- (a) use any Brand that is the same as a Brand used by the Associated Supply Business; or
- (b) use any Brand that has characteristics which are the same as or similar to those of a Brand used by the Associated Supply Business.

1.17.6 Revision of Compliance Plan

Where the Licensee receives a notice in accordance with Condition 1.17.4 or Condition 1.17.5, it shall within 30 days or by such later date, if any, as may be specified in the direction, revise the Compliance Plan, in such manner and to such extent as will reflect the Authority's direction and ensure that it is sufficient for the purposes of ensuring the Licensee's compliance with Condition 1.16.

1.17.7 Review of Compliance Plan

The Licensee shall, on at least an annual basis during the period in which Condition 1.16 is in force, review its Compliance Plan so as to ensure:

- (a) its continued compliance with its obligations under Condition 1.16; and
- (b) that the information set out therein shall continue to be accurate in all material respects.

1.17.8 Authority approval

Where the Licensee revises its Compliance Plan, either in accordance with Condition 1.17.6 or following a review conducted by it in accordance with Condition 1.17.7, it shall submit the revised Compliance Plan to the Authority for its approval.

1.17.9 Facilitating compliance with the Compliance Plan

The Licensee shall ensure that persons engaged in the management and operation of the Licensed Business:

- (a) are made aware of the practices, procedures, systems and rules of conduct set out in the Compliance Plan;
- (b) have the necessary information and facilities to comply with their respective obligations as provided for in the Compliance Plan; and
- (c) are aware of the disciplinary procedures that may be activated should they fail to comply with their obligations under the Compliance Plan.

1.17.10 Compliance Manager

The Licensee shall, following consultation with the Authority, appoint an independent person (the “**Compliance Manager**”) for the purpose of facilitating compliance with its obligations under Condition 1.16 and with its Compliance Plan.

1.17.11 Assisting the Compliance Manager

The Licensee shall ensure that the Compliance Manager has access to such staff, premises, systems, information, documentation, equipment, facilities and other resources as he might reasonably expect to require to fulfil the duties and tasks assigned to him.

1.17.12 Duties of the Compliance Manager

The duties and tasks assigned to the Compliance Manager shall include:

- (a) providing relevant advice and information to the Licensee for the purpose of ensuring its compliance with Condition 1.16 and with the Compliance Plan;

- (b) monitoring the effectiveness of, and the Licensee's compliance with, the Compliance Plan;
- (c) investigating any complaint or representation received by the Licensee from any person in respect of any matter arising under or by virtue of Condition 1.16 or in relation to the Compliance Plan;
- (d) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable, including where necessary revising the Compliance Plan to reflect such recommendation and advice; and
- (e) reporting, at such frequency as is determined in writing by the Authority, to the directors of the Licensee on his activities during the period covered by the report, the investigations he has conducted and on progress implementation of the Compliance Plan.

1.17.13 Report of Compliance Manager

The Licensee shall, at such frequency as is determined in writing by the Authority, but no less than twice every twelve months, submit a report to the Authority:

- (a) detailing the activities of the Compliance Manager during the period covered by the report;
- (b) providing a progress update on the Licensee's implementation of the Compliance Plan;
- (c) setting out the details of any investigations conducted by the Compliance Manager, including:
 - (i) the number, type and source of the complaints or representations on which such investigations were based;
 - (ii) the outcome of such investigations; and
 - (iii) any remedial action taken by the Licensee following such investigations.

1.17.14 Additional Definitions

In this Condition the terms Associated Gas Supply Business, Brand, and Gas Supply Business have the meaning given to them in Condition 1.16.

Condition 1.18: Corporate Governance

1.18.1 Ring Fencing

The Licensee shall ensure that:

- (a) the Licensed Business is carried on by the Licensee (and not through any affiliate or related undertaking of the Licensee); and
- (b) (without prejudice to the ability of the ultimate controller, affiliates or related undertakings of the Licensee to carry on other businesses) no business other than the Licensed Business is carried on by and through the Licensee.

1.18.2 Board Independence

By no later than 31 March 2010, and at all times thereafter, the Licensee shall:

- (a) ensure that its board of directors comprises a majority of independent non-executive directors who are persons of standing who individually possess either:
 - (i) relevant experience and knowledge of the energy industry; or
 - (ii) relevant experience and knowledge of any other regulated industry,provided that at least one independent non-executive director must possess the required energy industry experience and knowledge; and
- (b) demonstrate to the satisfaction of the Authority, prior to any appointment from time to time of a board director, that the said appointment will not cause the Licensee to enter into any breach of the requirements contained in sub-paragraph (a),

where, “**independent non-executive director**” means a person who has not been employed by the Licensee, its ultimate controller or any affiliate or related undertaking of the Licensee within the last five years; and who does not have a material business relationship with the Licensee, its ultimate controllers or any affiliate or related undertaking of the Licensee.

1.18.3 Board Independence (Allowance for Events)

If at any time the Licensee, by virtue of any person being appointed as, or ceasing to be, a director of the Licensee (for the purposes of this Condition, an “**Event**”), is unable to comply with the requirements of Condition 1.18.2, the Licensee shall take such steps as are necessary to ensure that compliance is achieved as soon as reasonably practicable after that Event and in any case within two months (or such longer period as may be agreed by the Authority).

1.18.4 Prohibition of cross-subsidies

The Licensee shall procure that it does not give any cross-subsidy to, or receive any cross-subsidy from, any other business of the ultimate controller or of an affiliate or related undertaking of the Licensee.

Condition 1.19: Indebtedness

1.19.1 General restriction

Without prejudice to the requirements of Condition 1.13, the Licensee shall not, without the prior written consent of the Authority (following disclosure by the Licensee to the Authority of all material facts):

- (a) create or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance, undertake any indebtedness to any other person, or enter into or permit to remain in effect any guarantee otherwise (in each case) than:

- (i) on an arm's length basis;
 - (ii) on normal commercial terms; and
 - (iii) in the furtherance of the Licensed Business,

provided that nothing in this Condition shall prevent the Licensee guaranteeing any obligations owed by an affiliate or related undertaking of the Licensee which have been (or are to be) incurred in the furtherance of the Licensed Business;

- (b) transfer, lease, license or lend any sum, asset, good, right or benefit to any affiliate or related undertaking of the Licensee otherwise than by way of:
 - (i) a transfer, lease, licence or loan of any asset, good, right or benefit on an arm's length basis, on normal commercial terms, and in compliance with the payment requirement set out in Condition 1.19.2;
 - (ii) a payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;
 - (iii) a repayment of a loan, or payment of any interest on a loan, which loan is not prohibited by sub-paragraph (a);
 - (iv) a dividend or other distribution out of distributable reserves undertaken in accordance with Condition 1.20;

- (v) a repayment of capital;
 - (vi) payments for group corporation tax relief calculated on a basis not exceeding the value of the benefit received; or
 - (vii) a loan to any affiliate or related undertaking of the Licensee, which is made in the furtherance of the Licensed Business,
- provided, however, that Condition 1.22.7 shall prevail where that Condition applies;
- (c) enter into an agreement or incur a commitment incorporating a cross-default obligation; or
 - (d) continue, or permit to remain in effect, any agreement or commitment incorporating a cross-default obligation subsisting at the date this Condition 1.19 takes effect, save that the Licensee may permit any cross-default obligation in existence at that date to remain in effect for a period not exceeding twelve months from that date, provided that the cross-default obligation is solely referable to an instrument relating to the provision of a loan or other financial facilities granted prior to that date and the terms on which those facilities have been made available as subsisting on that date are not varied or otherwise made more onerous.

1.19.2 Payment requirement

The payment requirement referred to Condition 1.19.1(b) is that the consideration due in respect of the transfer, lease, licence or loan of the asset, good, right or benefit in question is paid in full prior to or simultaneously with such transfer, lease, licence or loan unless:

- (a) the counter-party to the transaction has, and maintains until payment is made in full, an investment grade credit rating; or
- (b) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an investment grade credit rating.

1.19.3 Additional definitions

In this Condition 1.19, unless the context otherwise requires:

“cross-default obligation” means a term of any agreement or arrangement whereby the Licensee’s liability to pay or repay any debt or other sum arises or can be increased or accelerated by any person other than the Licensee;

“indebtedness” means all liabilities now or hereafter due, owing or incurred, whether actual or contingent, whether solely or jointly with any other person and whether as principal or surety, together with any interest accruing thereon and all costs, charges, penalties and expenses incurred in connection therewith;

“investment grade credit rating” has the meaning given to that expression in Condition 1.22.

Condition 1.20: Resources and Dividend Payment

1.20.1 Availability of resources

The Licensee shall act at all times in a manner calculated to ensure that it has available to it sufficient resources (including, without limitation, management and financial resources, personnel, fixed and moveable assets, rights, consents and facilities) to enable it to carry on the Licensed Business in compliance with the Order, the Energy Order and the Licence.

1.20.2 Annual certificate

The Licensee shall, by 30 June of each year, submit to the Authority a certificate, approved by a resolution of the board of directors of the Licensee and signed by a director of the Licensee pursuant to that resolution, in one of the following forms:

- (a) “After making enquiries, and having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the Licensee, the directors of the Licensee have a reasonable expectation that the Licensee will have sufficient financial resources and financial facilities to enable the Licensee to carry on the Licensed Business in compliance with the Order, the Energy Order and the Licence for a period of 12 months from the date of this certificate.”
- (b) “After making enquiries, and having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the Licensee, the directors of the Licensee have a reasonable expectation, subject to what is explained below, that the Licensee will have sufficient financial resources and financial facilities to enable the Licensee to carry on the Licensed Business in compliance with the Order, the Energy Order and the Licence for a period of 12 months from the date of this certificate. However, they would like to draw attention to the following factors which may cast doubt on the ability of the Licensee to carry on those businesses.”

- (c) “In the opinion of the directors of the Licensee, the Licensee will not have sufficient financial resources and financial facilities available to enable the Licensee to carry on the Licensed Business in compliance with the Order, the Energy Order and the Licence for a period of 12 months from the date of this certificate.”

1.20.3 Supporting information

The Licensee shall submit to the Authority, with each certificate provided pursuant to Condition 1.20.2, a statement of the main factors which the directors of the Licensee have taken into account in giving that certificate.

1.20.4 Ongoing duty

The Licensee shall inform the Authority in writing immediately if the directors of the Licensee become aware of any circumstance that causes them no longer to have the reasonable expectation expressed in the most recent certificate submitted under Condition 1.20.2.

1.20.5 Auditors report

The Licensee shall use its best endeavours to obtain, and submit to the Authority with each certificate provided in accordance with Condition 1.20.2, a report prepared by its auditors and addressed to the Authority stating whether or not the auditors are aware of any inconsistencies between:

- (a) that certificate and the statement submitted with it; and
- (b) any information which the auditors obtained in the course of preparing their reports for the purposes of Condition 1.3.

1.20.6 Dividend payment

The directors of the Licensee shall not declare or recommend a dividend, and the Licensee shall not make any other form of distribution within the meaning of Article 271 of the Companies (Northern Ireland) Order 1986, or redeem or repurchase any share capital of the Licensee, unless prior to the declaration, recommendation or

making of the distribution (as the case may be) the Licensee has issued to the Authority a certificate in the following form:

“After making enquiries, the directors of the Licensee are satisfied:

- (a) that the Licensee is in compliance in all material respects with all the obligations imposed on it by Conditions 1.18, 1.19, 1.20, 1.21 and 1.22 of the Licence; and
- (b) that the making of a distribution of [] on [] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the Licensee to be in breach to a material extent of any of those obligations in the future.”

1.20.7 Requirement for dividend certificate

The certificate given under Condition 1.20.6 must be signed by a director of the Licensee and must have been approved by a resolution of the board of directors of the Licensee passed not more than 14 days before the date on which the declaration, recommendation or distribution in question will be made.

1.20.8 Dividends

Where the certificate given under Condition 1.20.6 has been issued in respect of the declaration or recommendation of a dividend, the Licensee shall be under no obligation to issue a further certificate prior to payment or distribution of that dividend, provided that such payment or distribution is made within six months of the issuing of that certificate.

Condition 1.21: Undertaking of Controller

1.21.1 Obligation to procure undertaking

The Licensee shall, in accordance with Condition 1.21.2, procure from each person which is an ultimate controller of the Licensee, a legally enforceable undertaking in favour of the Licensee (in a form approved by the Authority) that the ultimate controller will:

- (a) give to the Licensee (and will procure that any company that is a subsidiary of, or controlled by, that ultimate controller (other than the Licensee and its subsidiaries) and will give to the Licensee) all such relevant information to the extent that such information is held as may be necessary to enable the Licensee to comply fully with the obligation imposed by Condition 1.4; and
- (b) refrain from (and will procure that any company that is a subsidiary of that person (other than the Licensee and its subsidiaries) will refrain from) any action that would then be likely to cause the Licensee to breach any of its obligations under the Order, the Energy Order or the Licence.

1.21.2 Timing

The Licensee shall procure the undertaking referred to in Condition 1.21.1 within 7 days of this Condition 1.21 becoming effective or the person in question becoming an ultimate controller of the Licensee (whichever is the later). The Licensee shall ensure that each undertaking procured in accordance with Condition 1.21.2 remains in force until the person in question ceases to be an ultimate controller of the Licensee or the Licence is revoked.

1.21.3 Evidence

The Licensee shall:

- (a) deliver to the Authority evidence (including a copy of each such undertaking) that the Licensee has complied with its obligations to procure undertakings pursuant to Condition 1.21.1;
- (b) on becoming aware that any such undertaking is not in full force and effect or is not legally enforceable or has been breached, inform the Authority immediately in writing; and
- (c) comply with any direction from the Authority to enforce any such undertaking.

1.21.4 Arrangements with ultimate controller

The Licensee shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the Licensee or with any subsidiary of any such ultimate controller (other than the subsidiaries of the Licensee) at a time when:

- (a) an undertaking complying with Condition 1.21.1 is not in place in relation to that ultimate controller; or
- (b) there is an unremedied breach of such undertaking; or
- (c) the Licensee is in breach of the terms of any direction issued by the Authority under Condition 1.21.3(c).

Condition 1.22 Financial gearing and credit rating

1.22.1 Financial Gearing

The Licensee shall by 30 June of each year following the Formula Year, submit to the Authority a certificate, approved by a resolution of the board of directors of the Licensee and signed by a director of the Licensee pursuant to that resolution, showing the Financial Gearing as at the end of the preceding Formula Year. The Licensee shall provide the Authority with such information to support that certificate as the Authority may request.

1.22.2 **Financial Gearing (Definition)**

For the purposes of Condition 1.22.1:

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| “Financial Gearing” | means Net Debt as a percentage of the Regulatory Asset Base; |
| “Net Debt” | means the Licensee’s total borrowings (including, without limitation, bank loans, debt securities, finance leases, hire purchase contracts and non-equity shares) less the Licensee’s cash and cash equivalents; |
| “Regulatory Asset Base” | means the Total Regulatory Value at the end of the formula year calculated in accordance with Condition 2.3.18 |

1.22.3 Credit Rating (Application)

The Licensee shall comply with Conditions 1.22.3 to 1.22.8 (inclusive) with effect from 31 March 2010 and shall only be released from any such obligation to comply

upon a direction from the Authority stating that such obligation shall cease to apply from a date as specified in the direction.

1.22.4 Obligation to Obtain a Credit Rating

The Licensee shall take all appropriate steps to ensure that the Licensee obtains and thereafter maintains an investment grade credit rating.

1.22.5 Investment Grade Credit Rating

In this Condition, “**investment grade credit rating**” means, in respect of any person, that that person has:

(a) unless sub-paragraph (b) applies:

- (i) an issuer rating of not less than BBB- by Standard & Poor’s Ratings Group or any of its subsidiaries; or
- (ii) an issuer rating of not less than Baa3 by Moody’s Investors Service Inc. or any of its subsidiaries; or
- (iii) an issuer senior unsecured debt rating of not less than BBB- by Fitch Ratings Ltd or any of its subsidiaries; or
- (iv) an equivalent rating from any other reputable credit rating agency which, in the opinion of the Authority (notified in writing to the Licensee), has comparable standing in both the United Kingdom and the United States of America; or

(b) such higher rating as may (in each case) be specified by those agencies from time to time as the lowest investment grade credit rating.

1.22.6 Reporting on Credit Rating

The Licensee shall:

- (a) deliver to the Authority evidence that the Licensee has complied with its obligations to obtain a credit rating pursuant to Condition 1.22.4;

- (b) make regular enquiries to become aware, and if it becomes aware that an investment grade credit rating obtained under Condition 1.22.4 is downgraded or likely to be downgraded, inform the Authority immediately in writing;
- (c) in the event that the credit rating is below the level required for an investment grade credit rating or is under review for possible downgrade below an investment grade credit rating, inform the Authority immediately in writing detailing the measures taken to implement Condition 1.22.7 and the measures undertaken to retain, gain or regain the investment grade credit rating;
- (d) on 30 June of each year submit to the Authority a report on the present status and future outlook for the coming year of the credit rating and the present status and future outlook for the Financial Gearing.

1.22.7 Additional Restriction on Dealings

Notwithstanding Condition 1.19.1(b), where (in accordance with Condition 1.22.8) this Condition 1.22.7 applies, the Licensee may not, without the prior written consent of the Authority (following disclosure of all material facts) transfer, lease, license or lend any sum, asset, good, right or benefit to any affiliate or related undertaking of the Licensee otherwise than by way of:

- (a) a transfer, lease, licence or loan of any asset, good, right or benefit on an arm's length basis, on normal commercial terms and where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is paid in full when the transaction is entered into;
- (b) a payment properly due for any goods, services or assets in relation to commitments entered into prior to the date on which the circumstances described in Condition 1.22.8 arise, and which are provided on an arm's length basis and on normal commercial terms;
- (c) a repayment of a loan, or payment of any interest on a loan, not prohibited by Condition 1.19.1(a) and which was contracted prior to the date on which the circumstances in Condition 1.22.8 arise, provided that such payment is not

made earlier than the original due date for payment in accordance with its terms; and

- (d) payments for group corporation tax relief calculated on a basis not exceeding the value of the benefit received, provided that the payments are not made before the date on which the amounts of tax thereby relieved would otherwise have been due.

1.22.8 Additional Restriction on Dealing with Assets (Application)

Condition 1.22.7 shall apply if at any time:

- (a) the Licensee does not hold an investment grade credit rating;
- (b) where the Licensee has a rating with more than one of the rating agencies referred to in Condition 1.22.5, one or more of the ratings held is below those referred to in Condition 1.22.5; or
- (c) the Licensee has one of the ratings referred to in Condition 1.22.5 and:
 - (i) is on review for possible downgrade; or
 - (ii) the rating outlook of the Licencee as specified by one or more of the credit rating agencies referred to in Condition 1.22.5 has been changed from stable or positive to negative.

Condition 1.23: Systems to Facilitate Change of Supplier

1.23.1 Practices, Procedures and Systems

The Licensee shall ensure that its practices, procedures and systems facilitate Supplier Transfers taking place within 15 working days of the Licensee receiving a valid Registration Request from a gas supplier.

1.23.2 Maintaining Records and Reporting

The Licensee shall no later than one month after the end of each quarter year ending on 30 June, 30 September, 31 December and 31 March, give to the Authority a report which sets out –

- (a) the number of Registration Requests received by it in each month of that quarter,
- (b) the number of actual Supplier Transfers completed in each month of that quarter, and
- (c) of the number of Supplier Transfers completed in each month of that quarter, the number which took more than 15 working days to complete from the date of the valid Registration Request being received by the Licensee.

1.23.3 Notifying the Authority

The Licensee shall inform the Authority as soon as it becomes aware that its practices, procedures and systems may, as a result of the number of Registration Requests likely to be received by it, cease to be adequate to ensure the Licensee's compliance with paragraph 1.23.1.

1.23.4 Authority Directions

The Authority may, following such consultation with the Licensee as the Authority considers appropriate, direct the Licensee to take such steps as may be specified in a written direction, and in such manner as may be so specified, to review and improve the practices, procedures and systems it has established to comply with this Condition.

1.23.5 Compliance with Directions

The Licensee shall comply with any direction issued under paragraph 1.23.4 from the date specified in the direction.

1.23.6 Definitions

In this Condition –

“Registration Request” means an application from a gas supplier for it to be registered as the supplier responsible for supplying gas to the supply meter point at the premises specified in the application; and

“Supplier Transfer” means the transfer of responsibility for the supply of gas, to a supply meter point at premises connected to the Licensee’s Network, from one gas supplier to another gas supplier.

Condition 1.24: Prohibition of Discrimination in provision of services

1.24.1 Non-Discrimination

The Licensee shall in:

- (a) meeting its obligations under this Licence;
- (b) providing services consisting of, or connected with:
 - (i) the conveyance of gas; and
 - (ii) connections to its Network; and
- (c) providing services under or pursuant to the Network Code,

not show any undue preference towards or undue discrimination against any gas supplier or case or classes of cases of gas supplier, including in particular undue preference towards any affiliate or related undertaking of it which is a gas supplier.

Condition 1.25: Provision of Information to Gas Suppliers

1.25.1 Practices, Processes and Systems

The Licensee shall ensure that its practices, processes and systems facilitate the provision of information to, and between, Gas Suppliers which:

- (a) by virtue of or in accordance with the Network Code or other industry code, agreement or practice, is available to or held by the Licensee; and
- (b) relates to or ascertains the consumption of gas by a Customer at premises connected to the Licensee's Network.

1.25.2 Customer Information Requests

The Licensee shall within five working days of receiving a Customer Information Request from a gas supplier, provide to that gas supplier the information specified in the Customer Information Request where that information is available to or held by the Licensee.

1.25.3 Definitions

In this Condition:

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| Customer Information Request | means a request, made in such form and in such manner as may be determined from time to time by the Authority, for information relating to the consumption of gas by the Customer at the premises identified, and for the period specified, in the request. |
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Condition 1.26: Regulatory Instructions and Guidance

1.26.1 Introduction

- (a) The purpose of this Condition 1.26 is to set out the scope, contents, and common governance arrangements for the Regulatory Instructions and Guidance (“RIGs”) published by the Authority pursuant to this condition.
- (b) The RIGs are the primary means by which the Authority directs the Licensee to collect and provide the information to the Authority that the Authority needs to enable it to administer Part 4 (Price Control Conditions) of this licence and any determinations made by the Authority under or for the purposes of the Price Control Conditions.

1.26.2 Licensee’s obligation under this condition

- (a) Unless and so far as the Authority otherwise consents, the Licensee must have in place and maintain appropriate systems, processes, and procedures to enable it:
 - (i) to estimate, measure, and record the information detailed in the RIGs (“specified information”); and
 - (ii) to provide such information to the Authority in respect of such periods and within such timeframes as are specified in the RIGs.
- (b) To facilitate compliance with paragraph (a) of this Condition 1.26.2, the accounting records and other records kept by the Licensee with respect to the specified information must:
 - (i) be so arranged as to ensure that such information can be separately identified and reasonably attributed as between the Licensee’s business and the business of any affiliate or related undertaking of the Licensee; and
 - (ii) be maintained for a period of eight years, or such shorter period as set out in the RIGs, from the date that they are made.

1.26.3 Scope and content of RIGs

- (a) Subject to paragraphs (b) and (c) of this Condition 1.26.3, the matters that may be included, or for which provision may be made, in the RIGs are:
- (i) instructions and guidance on the establishment of systems, processes, procedures, and ways for recording and providing specified information;
 - (ii) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of specified information (including different classes of such information);
 - (iii) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards;
 - (iv) the methodology for calculating or deriving numbers comprising specified information;
 - (v) provision with respect to the meaning of words and phrases used in defining specified information;
 - (vi) requirements as to the form and manner in which, or the frequency with which, specified information must be recorded;
 - (vii) requirements as to the form and manner in which, or the frequency with which, specified information must be provided to the Authority;
 - (viii) requirements as to which (if any) of the specified information is to be subject to audit, the terms on which an auditor is to be appointed by the Licensee for that purpose, and the nature of the audit to be carried out by that person;
 - (ix) requirements as to the circumstances in which the Authority may appoint an examiner to examine the recording of the specified information by the Licensee;

- (x) a statement on whether and to what extent each category of the specified information is required for the purposes of the RIGs; and
 - (xi) provision about how the Authority intends to monitor, assess, and enforce compliance with the RIGs (as to which, see also Condition 1.26.6).
- (b) The provisions of the RIGs must not exceed what is reasonably required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the Licensee in complying with those provisions.
- (c) No specified information may exceed what could be requested from the Licensee by the Authority under Condition 1.3.1.

1.26.4 Development and modification of the RIGs

- (a) The Authority may issue new RIGs or modify any existing RIGs by issuing a direction for that purpose to the Licensee.
- (b) Data collected in relation to each formula year must be reported according to the RIGs issued to the Licensee by the Authority as they may be (where applicable) modified in line with this Condition 1.26.4 and with Condition 1.26.5.
- (c) A direction issued by the Authority under paragraph (a) of this Condition 1.26.4 will be of no effect unless the Authority has first:
 - (i) given notice to the Licensee that it proposes to issue new RIGs or (as the case may be) to modify the RIGs:
 - (A) specifying the date on which it proposes that the provisions of the document to be issued or modified should take effect;
 - (B) setting out the text of the RIGs to be issued or (as the case may be) modified and the Authority's reasons for proposing to issue or modify it; and

(C) specifying the time (which will not be less than a period of 28 days from the date of the notice) within which representations in response to such proposals may be made; and

(ii) considered any representations in response to the notice that are duly made and not withdrawn.

(d) The requirements for the issuing of new RIGs or modification of existing RIGs set out in paragraph (c) of this Condition 1.26.4 may be satisfied by actions taken by the Authority before as well as after the coming into effect of this condition.

1.26.5 Requirements for new or more detailed information

(a) This Condition 1.26.5 applies if any modified or new RIGs have the effect of introducing a requirement to provide:

(i) a new category of specified information; or

(ii) an existing category of specified information to a greater level of detail,

which has not previously been collected by the Licensee, whether under the provisions of the RIGs or otherwise.

(b) Where this Condition 1.26.5 applies, the Licensee may provide estimates to the Authority in respect of the relevant category of specified information for any formula year specified by the Authority.

(c) The estimates that are mentioned in paragraph (b) of this condition may be derived from such other information available to the Licensee as may be appropriate for that purpose.

1.26.6 Compliance with the provision of the RIGs

(a) The Licensee must at all times comply with the provisions of the RIGs for the time being in force pursuant to this condition.

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- (b) Where the Licensee is a distribution system operator and operates one or more low pressure pipe-line networks in a single legal entity, it must comply with the requirements of this condition separately in respect of each such network.
- (c) Nothing in this condition requires the Licensee to provide any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

1.26.7 Definitions

For the purposes of this condition:

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| <u>"examiner"</u> | <u>means, in relation to the RIGs, a person whose degree of knowledge and experience of the matters that are the subject of the RIGs will enable him to properly carry out and complete the tasks required of him under the terms of his nomination by the Authority pursuant to the provisions of the RIGs;</u> |
| <u>"specified information"</u> | <u>means information (or a category of information) that is so described or defined in the RIGs.</u> |

PART 2
CONDITIONS APPLICABLE TO THE CONVEYANCE OF GAS
BY THE LICENCE HOLDER

Condition 2.1: Interpretation and Construction

2.1.1 Definitions

In this Part 2, except where expressly stated to the contrary and unless the context otherwise requires, the following terms shall have the meanings ascribed to them below:

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| "conveyance charges" | means the charges made by the Licensee for the conveyance of gas; |
| "conveyance services" | means all services provided by the Licensee of conveying gas to, through and within the Licensed Area; |
| "Formula Year" | means a year commencing on 1st January; |
| "Network Code" | means the network code as prepared by the Licensee under Condition 2.5.2; |
| "non standard gas credit meter" | means a gas credit meter owned by the Licensee which is not a standard gas credit meter; |
| "non standard gas meter" | means either a non standard gas credit or pre-payment meter; |
| "non standard gas pre-payment meter" | means a gas pre-payment meter owned by the Licensee which is not a standard gas pre- |

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| | payment meter; |
| "owned" | means in relation to any gas meter title in or control over a meter and includes meters leased to a person; |
| "standard gas credit meter" | means a gas credit meter of a type so specified and owned by the Licensee; |
| "standard gas meter" | means either a standard gas credit or pre-payment meter; |
| "standard gas pre-payment meter" | means a gas pre-payment meter of a type so specified and owned by the Licensee; |
| "transportation arrangements" | means the arrangements which licence holders or exemption holders may have with the Licensee to have gas introduced into, conveyed by means of and taken out of the Network ; |

2.1.2 Singular/plural

The terms defined under 2.1.1 shall include the singular and the plural, as the context requires.

Condition 2.2: Territorial Scope and Exclusivity

2.2.1 Territorial Scope

The Licensee is authorised to convey gas from one place to another in the Licensed Area.

2.2.2 Exclusivity

Subject to Conditions 2.2.3, 2.2.5 and 2.2.6, the Licensee shall be entitled exclusively to convey gas to premises in the Exclusive Area until 04 September 2006 and thereafter until 31st December 2016 unless, prior to that date, the Authority determines that the continuation of the exclusive authority granted by this Condition 2.2.2 is no longer necessary or expedient for the efficient operation of conveyance of gas to premises in the Exclusive Area and accordingly terminates the Licensee's exclusivity for all or part of the Exclusive Area by notice in writing to the Licensee.

2.2.3 Loss of Exclusivity in a district and the Licensed Area

Subject to Condition 2.2.4, the Licensee shall cease to be entitled exclusively to convey gas to any premises in a district within the Exclusive Area where the Authority determines on notice to the Licensee:

- (a) that the Licensee has not in that district commenced to install or installed and brought into operation or made readily capable of being brought into operation distribution pipe-lines in accordance with paragraph 1 of Schedule 4; or
- (b) prior to the twelfth anniversary of this licence coming into force, that the Licensee has refused a request by either:
 - (i) a gas supplier for the connection of premises in that district to the Network in order to give a supply; or
 - (ii) the owner or occupier of premises in that district for the connection of premises to the Network;

and:

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- (iii) that gas supplier or owner or occupier is willing to pay the charge for connection for the premises as determined under Condition 2.4 and comply with the Licensee's other terms for connection as also determined under Condition 2.4; and
- (iv) at the time of the request the infill date in accordance with paragraph 1(b) of Schedule 4 has passed with respect to the district in which the premises are located;

and subject to Condition 2.2.4, the Licensee shall cease to be entitled exclusively to convey gas to any premises in the whole of the Exclusive Area where:

- (c) with the exception of the district of Larne, the Authority has determined on notice to the Licensee that the Licensee should cease to be entitled exclusively to convey gas to premises in three or more districts under this Condition 2.2.3; or
- (d) the Department modifies Condition 2.2.2 and Schedule 1 pursuant to Article 9(5) of the Order where it is satisfied on reasonable grounds of a contravention by the Licensee of any of the following conditions which are "relevant conditions" for the purposes of Article 9 of the Order ("relevant conditions"):
 - (i) Conditions 1.3.3, 1.3.4, 1.11, 1.12 and 1.13; and
 - (ii) Conditions 2.3.4 (but excluding Condition 2.3.4(c)), 2.3.5, 2.3.6, 2.4.6, (but excluding Condition 2.4.6(c)), 2.4.9, 2.6.1, 2.6.2, 2.6.3 and 2.6.4.

2.2.4 Disapplication of Condition 2.2.3

Without prejudice to any other means of modifying this licence under Condition 1.10 and the Order or the Energy Order, where the Authority determines on notice to the Licensee that the Licensee should cease to be entitled exclusively to convey gas to premises under Condition 2.2.3, then:

- (a) that determination shall not have effect for 28 days commencing with the date of the notice of the determination; and

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- (b) the Licensee may within 28 days of the date of the notice of the determination request the Authority by notice to the Authority (a "disapplication notice"), not to apply the relevant paragraph of Condition 2.2.3 in which event the determination shall not apply.

2.2.5 Loss of Exclusivity in respect of particular premises

Following the twelfth anniversary of this licence coming into force, the Licensee shall cease to be entitled exclusively to convey gas to particular premises where the Authority determines it has refused a request by either a gas supplier for the connection of those premises to the Network, in order to give a supply, or the owner or occupier of the premises for the connection of those premises to the Network, and that the gas supplier or owner or occupier is willing to pay the charge for connection as determined under Condition 2.4 and comply with the Licensee's other terms for connection as also determined under Condition 2.4.

2.2.6 Conveyance of Gas for Transhipment

Nothing in Condition 2.2.2 shall exclude the entitlement of any other person authorised by licence or exemption to convey gas through pipe-lines in the Licensed Area provided that such person does not convey gas to premises in the Exclusive Area other than as may be conveyed to premises solely for the operation of its gas plant.

2.2.7 Additional duty to provide information

The Licensee shall advise the Authority by its report given under Condition 1.2 in respect of the immediately preceding year whilst that Condition applies, and thereafter by a report provided to the Authority no later than 1st March of each year for the immediately preceding year ending on the 31st December, of:

- (a) the number of requests made by gas suppliers and owners or occupiers of premises to connect premises to the Network distinguishing between domestic consumers and non domestic consumers;
- (b) the number of connections made or agreed to be made by the Licensee;

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- (c) the length and route of distribution pipe-line installed by the Licensee in each district as listed in Annex 1 to Schedule 4 and each area as listed in Annex 3 to Schedule 4 (and whether or not it was at operational pressure in any period), and the length and route of infill distribution pipe-line and in respect of the latter the number of premises to which a connection has been and may be made; ~~and~~
- (d) capital expenditure on distribution pipe-lines, gas plant, and other apparatus utilised by the Licensee in the conveyance of gas in aggregate for the Licensed Area and individually in respect of each district as listed in Annex 1 to Schedule 4 and each area as listed in Annex 3 to Schedule 4;
- (e) the progress in the development of the Network in the areas listed in Annex 3 to Schedule 4 having regard to the obligations detailed under paragraphs 1 (b), (f), (g) and 4 of Schedule 4-; and
- (f) the planned development of the Network in the next succeeding three years in the areas listed in Annex 3 to Schedule 4 having regard to the obligations detailed under paragraphs 1 (b), (f), (g) and 4 of Schedule 4.

The obligation to provide the information detailed in Condition 2.2.7 (e) and (f) above shall cease once the report relating to the year ending on 31 December 2022 has been provided.

Condition 2.2A: Terms and Conditions of Gas Contracts with Domestic Consumers

- 2.2A.1 The Licensee shall ensure that any contract it enters or offers to enter into with a domestic consumer for the provision of any gas service (a **Gas Contract**) contains provisions which are in clear and comprehensible language and which incorporate all relevant information so as to enable the consumer to understand the terms and conditions under which the services are, or are to be, provided.
- 2.2A.2 Before entering into, or concluding, a Gas Contract with any domestic consumer, the Licensee shall give the domestic consumer:
- (a) a written copy of the full terms and conditions of the Gas Contract, including without limitation all the information referred to in paragraph 2.2A.3; and
 - (b) details of how the domestic consumer can contact, and the relevant address and telephone number of, the General Consumer Council for further help and advice, including in particular with regard to their rights in relation to the supply of gas services provided by the Licensee.
- 2.2A.3 The Licensee shall ensure that every Gas Contract (as between the Licensee and each domestic consumer) shall, as a minimum, include the following:
- (a) the identity and address of the Licensee and any other appropriate contact details;
 - (b) the services to be provided, the service quality levels offered by the Licensee and, where the Gas Contract relates to the provision of a connection between the domestic consumer's premises and the Licensee's Network, the time within which the connection will be made;
 - (c) the duration of the Gas Contract, the terms and conditions for renewal (where the Gas Contract provides for its renewal) and for termination of the Contract (which terms and conditions shall be compliant with the requirements of this Condition), and the existence of any right of cancellation or termination by the domestic customer of the Gas Contract;
 - (d) (if offered by the Licensee) the types of maintenance service offered under the

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Gas Contract;

- (e) a right for the domestic consumer to terminate the Gas Contract where:
 - (i) the Licensee proposes a variation to that Gas Contract; and
 - (ii) the proposed variation:
 - (A) relates to terms and conditions as to price; or
 - (B) would vary, effect, or impact the rights and obligations of the domestic customer, and
 - (iii) the domestic consumer does not wish to accept the proposed variation;
- (f) the charges and/or other payments to be paid by the domestic consumer in a manner that enables the domestic consumer to identify all such charges and payments due under the Gas Contract and the dates or times at which such charges or payments are to be paid;
- (g) the compensation and the refund arrangements (if any) which will apply if contracted service quality levels, including in relation to inaccurate and delayed billing, are not met; and
- (h) details of how the domestic consumer may initiate the Licensee's complaint handling procedure (as established in accordance with the Condition relating to Complaints Handling Procedure).

2.2A.4 The Licensee shall ensure that any Gas Contract it enters or offers to enter into provides the domestic consumer with a choice of payment methods.

2.2A.5 Any difference in or between any of the Licensee's Gas Contracts arising from the choice of payment method shall be determined by the Licensee on a basis which reflects the costs to the Licensee of providing that different payment method.

2.2A.6 Where:

- (a) the Licensee proposes to vary any of the terms and conditions of a Gas Contract it has with a domestic consumer; and

- (b) the proposed variation:
 - (i) relates to terms and conditions as to price; or
 - (ii) would vary, effect, or impact the rights and obligations of the domestic customer under the Gas Contract,

it shall at least 21 days in advance of the date that the proposed variation is due to take effect:

- (c) send to the domestic customer a notice of the proposed variation, together with the consumer's right (as included in the Gas Contract in accordance with paragraph 2.2A.3(e)) to terminate the Gas Contract before the proposed variation is due to take effect; and
- (d) ensure that the notice sets out the proposed variation and any supporting information in clear, transparent and easy to read and understand language.

Condition 2.3: Conveyance Charges, Other Terms for the Conveyance of Gas and the provision of Conveyance services

2.3.1 Determination of conveyance charges by the Licensee

Conveyance charges shall be determined by the Licensee in respect of Formula Year 1999 and each Formula Year thereafter and the Licensee shall subject to the provisions of Conditions 2.3.8, 2.3.14 and 2.3.7A, as the case may be, establish the methods and principles on which conveyance charges shall be determined for gas suppliers wishing and entitled (or entitled within the Formula Year in respect of which the methods and principles shall be determined or the next following Formula Year), to use the Network and the Licensee shall publish the same in accordance with Condition 2.3.2 provided that for the purposes of Condition 2.3.1(a) in establishing the methods and principles on which conveyance charges shall be determined the Licensee shall do so in a manner consistent with the subsequent application of the provisions of Condition 2.3.8.

2.3.2 Publication of conveyance charges and other terms for the conveyance of gas

Subject to Condition 2.3.3:

- (a) the licensee shall (no later than 1 October in each preceding year), for the forthcoming year, publish a statement of:
 - (i) its conveyance charging methodology for the use of the Network by gas suppliers for that forthcoming Formula Year, by which any such gas supplier may reasonably be able to calculate applicable conveyance charges; and
 - (ii) its other terms for the use by them of the Network (and in relation to the Network Code by reference to the Network Code);in such manner as will secure adequate publicity for it; and
- (b) the Licensee shall send a copy of any such statement to any person who asks for one;

and subject to Condition 2.3.4(b) such statement shall clearly distinguish cases and classes of cases of gas supplier for whom the conveyance charging methodology may result in differing conveyance charges.

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

No later than one month and five working days before it intends to publish its statement under Condition 2.3.2 the Licensee shall notify the Authority of the contents of that statement, and:

- (a) provide the Authority with such information as will enable the Authority to be reasonably satisfied that the methodology and principles for the conveyance charges have been determined in accordance with the provisions of Condition 2.3.8;
- (b) provide the Authority with an explanation of the other terms for conveyance set out in the statement; and
- (c) prior to publication, obtain the Authority's approval to the form and content of that statement.

2.3.4 Charging for the conveyance of gas and prohibition on undue discrimination

The Licensee shall:

- (a) unless the Authority otherwise consents, not charge for the conveyance of gas in the Network during any Formula Year, or apply other terms for the conveyance of gas on any basis other than contained in its statement of conveyance charges published under Condition 2.3.2 in respect of that Formula Year;
- (b) not show any undue preference towards or undue discrimination against any gas supplier or case or classes of cases of gas supplier in the conveyance charges made or other terms for the conveyance of gas applied in relation to the Network; and

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- (c) within 28 days of receiving a request for the quotation of conveyance charges for specified conveyance services by a gas supplier, provide the gas supplier with a specific statement of the conveyance charges and other terms for the conveyance of gas applicable to the conveyance services for which the gas supplier requested a quotation;

and for the purposes of Condition 2.3.4(c) and the Licensee's obligation to provide a specific statement of conveyance charges, a request for the quotation of conveyance charges for specified conveyance services shall be treated as such if it is in such form as the Licensee can reasonably be expected to provide a specific statement of conveyance charges in return.

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

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

2.3.6 Resolution of Disputes

- (a) This condition 2.3.6 applies where there is a dispute, between the Licensee and any person entitled, or claiming to be entitled, to be provided with conveyance services by the Licensee pursuant to this Condition 2.3, in respect of the terms of the agreement offered by the Licensee to such person pursuant to this Condition 2.3.
- (b) Where this condition 2.3.6 applies, any party to the dispute may make an application to the Authority to determine the terms of the agreement in dispute.
- (c) Paragraph (d) applies where the Authority receives an application pursuant to sub-paragraph (b) above and the dispute:
 - (i) has not previously been referred by either party to the General Consumer Council for investigation; or

- (ii) has previously been referred by one of the parties to the General Consumer Council but the General Consumer Council has advised the Authority that it has not concluded its investigation of the dispute.
- (d) Where this paragraph applies the Authority may refer the dispute to the General Consumer Council for the purposes of enabling the General Consumer Council to assist the parties in the resolution of the dispute.
- (e) Where the Authority refers the dispute to the General Consumer Council it will at the same time inform the parties of that referral.
- (f) Where the General Consumer Council has not been able to assist the parties in the resolution of the dispute within 3 months of the Authority's referral (the 'applicable timescale'), either party to the dispute may refer the matter back to the Authority for determination.
- (g) Paragraph (h) applies in respect of a dispute:
 - (i) which is not referred by the Authority to the General Consumer Council under paragraph (d); or
 - (ii) which has been referred back to the Authority for determination under paragraph (f).
- (h) Where this paragraph applies the Authority may, having given both parties not less than one month in which to make any further representations, settle the terms of the agreement dispute in such manner as appears to the Authority to be reasonable having (insofar as is relevant) regard in particular to the following considerations:
 - (i) the efficient and safe operation of the Network by the Licensee;
 - (ii) the conveyance by the Network of:
 - (A) the quantities of gas which the Licensee requires or may reasonably be expected to require to be conveyed by the Network to enable the Licensee to comply with the conditions of the licence; and

(B) the quantities of gas of any person who has a right to have gas conveyed by the Network is entitled to require to be so conveyed in exercise of that right.

(i) Where the person entitled or claiming to be entitled to conveyance services from the Licensee wishes to proceed on the basis of the terms of the agreement as settled by the Authority, the Licensee shall forthwith enter into and implement such agreement in accordance with its terms.

~~The Authority may, on the application of any person entitled (or claiming to be entitled) to require conveyance services by the Licensee, will refer the application in the first instance to the General Consumer Council who will try to resolve the dispute, provided the General Consumer Council shall give the Licensee not less than one month in which to make representations regarding such application: the General Consumer Council will settle any dispute between the applicant and the Licensee in so far as it relates to any of the following matters and at any time thereafter the Licensee shall provide a gas supplier with conveyancing services:~~

~~(a) in accordance with the conveyance charges and/or other terms for the conveyance of gas, and where applicable the Licensee's connection charges, as determined by the Authority pursuant to it settling a dispute referred to the general Consumer Council in accordance with the above paragraph, and where the gas supplier is willing to accept the same and the Licensee has otherwise refused to provide such conveyancing services. If the General Consumer Council is unable to resolve the dispute the application will be referred back to the Authority. The Authority will try to resolve the dispute with reference to conditions 2.3.6 (a) and 2.3.6 (b):.~~

~~(b) notwithstanding the provisions of Conditions 2.3.1 and 2.3.2, in accordance with a price determined by the Authority as will allow the Licensee to enjoy a revenue within the maximum amount recoverable under its conveyance charging methodology for the use of the Network by gas suppliers as may be realised under Conditions 2.3.8 and 2.3.14 as the case may be, and where applicable, the Licensee's connection charges, and on such other terms as the~~

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~~Authority reasonably considers appropriate in all the circumstances, including terms as to the Network Code, or as may establish, modify or amend a Network Code, where the Licensee's conveyance charges and other terms for the conveyance of gas and/or the Network Code:~~

- ~~(i) are insufficient to the reasonable satisfaction of the Authority for the conveyance services sought by the gas supplier;~~
- ~~(ii) the Licensee and gas supplier have been unable to reach agreement on appropriate terms; and~~
- ~~(iii) the gas supplier is willing to accept the Authority's determination;~~

~~provided that for the purposes of this Condition 2.3.6 the Authority is satisfied that any determination would not prejudice the efficient and safe operation of the Network or the conveyance by the Network of:~~

- ~~(c) the quantities of gas which the Licensee requires or may reasonably be expected to require to be conveyed by the Network to enable the Licensee to comply with the conditions of the licence granted under paragraph 1(a) of the Grant; and~~
- ~~(d) the quantities of gas of any person who has a right to have gas conveyed by the Network is entitled to require to be so conveyed in exercise of that right.~~

2.3.7 Additional duty to provide information

The Licensee shall advise the Authority by its report given under Condition 1.2 in respect of the immediately preceding Formula Year whilst that Condition applies, and thereafter by a report provided to the Authority no later than 1st March of each year for the immediately preceding Formula Year, of:

- (a) the number of separate arrangements with gas suppliers for gas conveyancing services provided; and
- (b) the volumes of gas offtaken from the Network by gas suppliers.

2.3.7A Direction by the Authority

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

in order to ensure that they are (or continue to be) proportionate and applied in a non-discriminatory manner, the Authority may direct the Licensee to revise its methods, principles, charges or terms (as the case may be) in accordance with the provisions of the direction.

- (b) The Licensee shall comply with the requirements of any direction issued by the Authority under this Condition 2.3.7A and shall publish a revised statement in accordance with Condition 2.3.2.

2.3.8 Charging methodology for the conveyance of gas

The Licensee shall in setting its charges for the conveyance of gas in the Network use reasonable endeavours to ensure that in each Formula Year t commencing Formula Year 2007, the *amount it recovers under its conveyance charging methodology for the use of the Network by gas suppliers* shall not exceed the *amount* calculated in accordance with the following formula:

$$M_t = (R_{E,t} + G_{F,t})(RPI_{F,t}/RPI_E) - K_t$$

where

M_t = the maximum *amount recoverable under the Licensee's conveyance charging methodology* in that Formula Year t ;

$RPI_{F,t}$ = the absolute value of the *Retail Prices Index* for Formula Year t defined as the absolute value of the *Retail Prices Index* published for September of Formula Year t ;

RPI_E = the Designated Parameter of that name established at the most recent Review (as the base reference point for the Retail Prices Index for September);

$R_{E,t}$ = the Determined Total Conveyance Revenue for that Formula Year t calculated in accordance with the following formula:

$$R_{E,t} = \sum_i (P_{E,i,t} \cdot V_{E,i,t})$$

where

\sum_i = the summation across all four Conveyance Categories where i is representative of a Conveyance Category;

$P_{E,i,t}$ = the Determined Revenue Per Therm in respect of Conveyance Category i for Formula Year t ;

$V_{E,i,t}$ = in respect of each of the four Conveyance Categories the determined number of therms of gas conveyed in that Formula Year t , in respect of that Conveyance Category i ;

~~$G_{F,t}$ = the Total Connections Incentive Revenue for Formula Year t calculated in accordance with the following formula:~~

~~$$G_{F,t} = \sum_{i,j} (N_{F,t,j,t} - N_{E,t,j,t}) H_{E,t,j,t}$$~~

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where

$\Sigma_{i,j}$ = ~~the summation across all Conveyance Categories and Conveyance Subcategories where i is representative of a Conveyance Category and j of a Conveyance Subcategory;~~

$N_{F,i,j,t}$ = ~~the actual number of New Connections in respect of Conveyance Category i and Conveyance Subcategory j for Formula Year t ;~~

$N_{E,i,j,t}$ = ~~the Determined number of New Connections in respect of Conveyance Category i and Conveyance Subcategory j for Formula Year t ;~~

$H_{E,i,j,t}$ = ~~the Determined Average Incentive Value in respect of Conveyance Category i and Conveyance Subcategory j and value of $(N_{F,i,j,t} - N_{E,i,j,t})$ for Formula Year t determined in accordance with the methodology agreed between the Authority and the Licensee;~~

~~For the avoidance of doubt, the Connections Incentive shall apply from Formula Year 2008.~~

K_t = ~~a value representing a correction factor as set out in Condition 2.3.9.~~

For the avoidance of doubt, the Licensee shall forecast values of $RPI_{F,t}$, $V_{F,i,t}$, ~~$N_{F,i,j,t}$~~ and K_t (to the extent that the values are not known by 1st October of the Formula Year $t-1$), so as by its reasonable endeavours it makes a best estimate of them.

2.3.9 Correction Factor

For the purposes of Condition 2.3.8 K_t shall be calculated in accordance with the following formulae:

either $K_t = Z_{F,t-1}(1 + I_{F,t}/100)$

if $Z_{F,t-1}$ is greater than $-0.1(M_{t-1})$

or $K_t = -0.1(M_{t-1})(1 + I_{F,t}/100)$

if $Z_{F,t-1}$ is less than or equal to $-0.1(M_{t-1})$

where

$$Z_{F,t} = (M_{F,t} - (R_{E,t} + G_{F,t})(RPI_{F,t} / RPI_E)) + Z_{F,t-1}(1 + I_{F,t})$$

$M_{F,t}$ = the actual amount recovered by the Licensee under its conveyance charging methodology for the use of the Network by gas suppliers in Formula Year t;

$I_{F,t}$ = the percentage interest rate in Formula Year t, which shall be:

where K_t (taking no account of $I_{F,t}$ for this purpose) has a positive value,
 r_t or

where K_t (taking no account of $I_{F,t}$ for this purpose) has a negative value, the Average Specified Rate in Formula Year t *plus one and a half percentage points*.

2.3.10 Review Process & Disapplication Notices

Conditions 2.3.10 to 2.3.13 set out the process by which the core terms of the price control will be established by the Authority from time to time.

2.3.11 The Review

The Designated Parameters and the Determination Values applying in respect of each

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Formula Year t will be established in accordance with the process set out below (a “Review”). A Review will take place at scheduled intervals by reference to the end of Formula Year $t=n$.

2.3.12 Terms Relevant to Reviews

In respect of each Review:

- (a) m , n and q are those Designated Parameters set out in Condition 2.3.22 as established at the preceding Review; and
- (b) a is, in respect of any quantifiable term, the most recent Formula Year in respect of which the Licensee has submitted an Actual Value for such a term for the purposes of Conditions 2.3.14 to 2.3.19.

2.3.13 Reviews Generally

In respect of each Review:

- (a) the Licensee shall provide to the Authority the Best Available Values required in accordance with Conditions 2.3.14 to 2.3.19, together with the Licensee’s proposed Designated Parameters for that Review, by the date occurring ~~15~~18 months prior to the end of each Formula Year $t = n$.
- (b) the Authority will, following such consultation as may be required in accordance with Articles 14(2) – (5) of the Order and any such other consultation as the Authority may consider appropriate, determine the Determination Values and the Designated Parameters that apply in those Formula Years t occurring during the period $t = n+1$ to $t = q$ (inclusive) and in doing so:
 - (i) the Authority shall have due consideration for the Best Available Values and proposed Designated Parameters submitted by the Licensee; and
 - (ii) the Authority shall base its determination of the Determined Revenue Per Therm for each Conveyance Category and *Determined Total Conveyance Revenue* on the underlying calculations contained in Conditions 2.3.14 to 2.3.19; and

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- (c) the Authority shall modify Conditions 2.3.22 and 2.3.24, in accordance with Articles 14(8) – (10) of the Order, to give effect to the Designated Parameters and Determination Values that it has determined.

2.3.14 Establishing the Best Available Values

For the purposes of Condition 2.3.8 the following Best Available Values shall be submitted by the Licensee, unless otherwise specified, in respect of each Formula Year t from $t=a$ submitted at the preceding Review up to and including $t=q$ for the current Review. These Best Available Values shall comprise Actual Values in respect of the Formula Years up to $t=a$ for the current Review, and the Licensee's best estimate or forecast in respect of the Formula Years from $t=a+1$ to $t=q$ (inclusive).

The Best Available Values are:

$V_{B,i,t}$ Best Available Volume in Formula Year t for Conveyance Category i ;

$C_{B,t}$ Best Available Capital Expenditure *before adjustments for movements in Capital Creditors* in Formula Year t ;

$CC_{B,t}$ ~~Best Available Capital Creditors in Formula Year t ;~~

$O_{B,t}$ Best Available Operating Expenditure in Formula Year t ;

$D_{B,t}$ Best Available Annual Depreciation in Formula Year t ;

$Q_{B,t}$ Best Available Working Capital for Formula Year t ;

~~$N_{B,i,j,t}$ Best Available number of New Connections in respect of Conveyance Category i and Conveyance Subcategory j for Formula Year t ;~~

~~$H_{B,i,j,t}$ Best Available Average Incentive Value in respect of Conveyance Category i and Conveyance Subcategory j and value of $(N_{F,i,j,t} - N_{E,i,j,t})$ for Formula Year t ; and~~

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$RPI_{B,t}$ Best Available Value of the Retail Prices Index for September of that Formula Year.

$UAC_{B,t}$ the Best Available Uncertainty Mechanism Capex Adjustment in
respect of each Formula Year t from t=m-1 to t=n as calculated by the
Licensee:

Field Code Changed

- (a) in accordance with the principles and methodology
established by the Authority, and described in the Final
Determination, for the purposes of calculating the
Uncertainty Mechanism Capex Adjustment; and
- (b) by taking into account actual values in so far as they are
available, and estimated values where actual values are not
available, in respect of the Formula Year t for which the
adjustment is calculated;

$UAO_{B,t}$ the Best Available Uncertainty Mechanism Opex Adjustment in
respect of each Formula Year t from t=m-1 to t=n, as calculated by the
Licensee:

Field Code Changed

Field Code Changed

- (a) in accordance with the principles and methodology
established by the Authority, and described in the Final
Determination, for the purposes of calculating the
Uncertainty Mechanism Opex Adjustment; and
- (b) by taking into account actual values in so far as they are
available, and estimated values where actual values are not
available, in respect of the Formula Year t for which the
adjustment is calculated; and

$RORA_{B,t}$ the Best Available Uncertainty Mechanism Rate of Return Adjustment
in respect of each Formula Year t from t=m+1 to t=n, starting on or

Field Code Changed

after 1 January 2017, as calculated by the Licensee in accordance with the principles and methodology established by the Authority, and described in the Final Determination, for the purposes of calculating the Rate of Return Adjustment.

To the extent the Best Available Values comprise monetary amounts, the Licensee shall express each such value in constant price terms (calculated in accordance with this Condition 2.3.14). For each of the Best Available Values submitted in respect of Formula Years $t=a+1$ to $t=q$ (inclusive), constant price terms shall mean that such forecasted values are all stated in the same money of the day terms as at the time they are all forecasted. For each of the Best Available Values submitted in respect of Formula Years up to $t=a$, constant price terms shall mean that such Actual Values are all converted to the same money of the day terms by multiplying the Actual Value by the following ratio:

$$\frac{RPI_B}{RPI_{B,t}}$$

Where RPI_B is the Licensee's proposed value for the Designated Parameter, to apply to each of the Formula Years that are the subject of the current Review. It is the base reference point for the Retail Prices Index and will reflect the money of the day terms in which those Best Available Values that are forecasts were forecasted.

In complying with this obligation under Conditions 2.3.14 to 2.3.19 the Licensee shall submit full workings of the calculations and figures upon which its values and calculations are based.

2.3.15 Establishing Best Available Revenue Per Therm and Total Conveyance Revenue

In addition to the Best Available Values referred to in Condition 2.3.14, the Licensee shall, at each Review, also submit Best Available Revenue Per Therm values for each Formula Year t that is to occur during the period $t=n+1$ to $t=q$ (inclusive) for that Review. The Licensee shall provide Best Available Revenue Per Therm values for

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each Conveyance Category and for each such Formula Year $(P_{B,i,t})$. *The Licensee shall provide Best Available Total Conveyance Revenue for each Conveyance Category $(R_{B,i,t})$ and for each such Formula Year $(R_{B,t})$ where*

$$R_{B,i,t} = P_{B,i,t} \cdot V_{B,i,t} \text{ and}$$

$$R_{B,t} = \sum_i R_{B,i,t}$$

Conditions ~~2.3.152-3.15~~ to ~~2.3.192-3.19~~ set out the Best Available Value categories and the underlying calculations upon which the Licensee should base its values of $P_{B,i,t}$.

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The Licensee shall estimate values for the Best Available Revenue Per Therm $(P_{B,i,t})$ so that:

- (a) such values comply with the requirements set out in this Condition 2.3.15;
- (b) the value for each Conveyance Category i will not, unless otherwise agreed with the Authority, differ between Formula Years t .

Each value of $P_{B,i,t}$ shall be set so that the cash flow (adjusted to reflect the allowed rate of return) over the Formula Years in question is equal to the difference between the Total Regulatory Value at the end of Formula Year n and the Depreciated Asset Value, Working Capital and Capital Creditors at the end of Formula Year q . This will be shown to be the case where the values of $P_{B,i,t}$ secure the following net present value result:

$$\sum_{t=n+1}^q \left(\frac{F_{B,t}}{(1+r_B)^{t-n}} \right) - TRV_{B,n} + \frac{DAV_{B,q} + Q_{B,q} + CC_{B,q}}{(1+r_B)^{q-n}} = 0$$

For the purposes of Condition 2.3.15, the following terms shall have the following meanings:

n, q are Formula Years as defined in Condition 2.3.12. As the value of the

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Designated Parameter q for that Review is also being established as part of that Review, it will necessarily be the Licensee's proposed value of that Designated Parameter;

$\sum_{t=n+1}^q$ is the summation of data in respect of all Formula Years t from $t=n+1$ to $t=q$ inclusive;

$F_{B,t}$ is the Best Available Cash Flow for Formula Year t , (being a sum calculated in accordance with Condition 2.3.16);

r_B is the Licensee's proposed value of the Designated Parameter for rate of return to apply to each of the Formula Years within the relevant period. Provided that, where the Licensee does not propose the same value for each of the relevant Formula Years, $(1+r_B)^{t-n}$ shall be replaced with $(1+r_{B,n+1}) \cdot (1+r_{B,n+2}) \dots (1+r_{B,t})$ and $(1+r_B)^{q-n}$ shall be treated accordingly;

$DAV_{B,t}$ is the Best Available Depreciated Asset Value for Formula Year t (being a sum calculated in accordance with Condition 2.3.17); and

$TRV_{B,n}$ is, the Best Available Total Regulatory Value at the end of Formula Year $t=n$ (being a sum calculated in accordance with Condition 2.3.18).

2.3.16 Calculating $F_{B,t}$ (Cash Flow)

$F_{B,t}$ is an amount equal to the Best Available *Total Conveyance Revenue* for the relevant Formula Year, less the Best Available Capital Expenditure *for that Formula Year, adjusted (where applicable) for the Best Available Movement in Capital Creditors* for that Formula Year, less the Best Available Operating Expenditure for that Formula Year, adjusted (where applicable) for the Best Available Movement in Working Capital for that Formula Year, which shall be calculated as follows:

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$$F_{B,t} = \sum_i (P_{B,i,t} \cdot V_{B,i,t}) - C_{B,t} - CC'_{B,t} - O_{B,t} - Q'_{B,t}$$

where $Q'_{B,t}$ is the difference between the Best Available Working Capital for Formula Year t and the Best Available Working Capital for Formula Year $t-1$, which shall be calculated as follows:

$$Q'_{B,t} = Q_{B,t} - Q_{B,t-1}$$

and $CC'_{B,t}$ is the difference between the Best Available Capital Creditors for Formula Year t and the Best Available Capital Creditors for Formula Year $t-1$, which shall be calculated as follows:

$$CC'_{B,t} = CC_{B,t} - CC_{B,t-1}$$

2.3.17 Calculating $DAV_{B,t}$ (Depreciated Asset Value)

$DAV_{B,t}$ is an amount equal to the indexed, depreciated, rolled forward value of the Depreciated Asset Value to date, measured at the end of each Formula Year. In respect of Formula Year t from 2007, it shall be the value of such amount applying to Formula Year $t-1$, plus the Best Available Capital Expenditure in Formula Year t , less the Best Available Annual Depreciation in Formula Year t , which shall:

(a) for each of the Formula Years $t = n+1$ to $t=q$ be calculated as follows:

$$DAV_{B,t} = DAV_{B,t-1} + C_{B,t} - D_{B,t}$$

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(b) for Formula Year $t = n$ be calculated as follows:

$$DAV_{B,t} = DAV_{B,t-1} + C_{B,t} - D_{B,t} + \sum_{t=m-1}^{t=n} UAC_{B,t}$$

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where $\sum_{t=m-1}^{t=n} UAC_{B,t}$ is the summation of the Best Available Uncertainty

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Mechanism Capex Adjustments for each Formula Year t in the period comprising Formula Years $t = m-1$ to $t = n$.

~~be calculated as follows:~~

$$\underline{DAV_{B,t} = DAV_{B,t-1} + C_{B,t} - D_{B,t}}$$

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~~The Depreciated Asset Value at the end of Formula Year $t = n$ shall be subject to any direction given by the Authority to the Licensee at the preceding Review that relates to the treatment of the difference between the Actual Value of Capital Expenditure and the Determined Value of Capital Expenditure.~~

2.3.18 Calculating $TRV_{B,n}$ (Total Regulatory Value)

$TRV_{B,n}$ is the Best Available Total Regulatory Value at the end of Formula Year $t = n$.

It is the sum of the Best Available Depreciated Asset Value for Formula Year $t = n$ (or in other words the opening position at the beginning of Formula Year $t = n+1$), plus the Best Available Working Capital for Formula Year $t = n$ (or in other words the opening position at the beginning of Formula Year $t = n+1$), plus the Best Available Capital Creditors for Formula Year $t = n$ (or in other words the opening position at the beginning of Formula Year $t = n+1$), plus the Best Available Profile Adjustment and adjustments related to the allowed rate of return as follows:

$$TRV_{B,n} = DAV_{B,n} + Q_{B,n} + CC_{B,n} + PA_{B,n} + \sum_{t=m+1}^{t=n} RORA_{B,t}$$

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Where:

$PA_{B,n}$ is the Profile Adjustment (being an adjustment calculated in accordance with Condition 2.3.19), and

$Q_{B,t}$ and $CC_{B,t}$ are treated as a pass-through and are corrected to actuals at the end of each Review Period as described in condition 2.3.23.

$\sum_{t=m+1}^{t=n} RORA_{B,t}$ is the summation of the Best Available Uncertainty Mechanism Rate of

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Return Adjustments for each Formula Year t in the period comprising
Formula Years $t=m+1$ to $t=n$.

In respect of Formula Year $t=2006$, $TRV_{F,t} = £312.8m$, which is indexed to $RPI_{F,2006}$.

In respect of Formula Years after $t=2011$, $TRV_{F,2011}$ is reduced by £13.6m, a reduction which is indexed to $RPI_{F,2010}$. The reduction is effected for the purpose of condition 2.3.18 as a reduction to $DAV_{F,2006}$.

2.3.19 Calculating the Profile Adjustment

The Profile Adjustment is an adjustment to reflect the long-term nature of the price control set out in this Condition 2.3. The Determined Revenue Per Therm values are established at each Review by reference to the period to Formula Year $t=q$ and not by reference to the period to Formula Year $t=n$. At each Review therefore, it is necessary to recognise the financial impact of having set a deferred recovery profile at the previous Reviews, by allowing the value that has been deferred at the preceding Reviews to be included as part of the Total Regulatory Value within the current Review.

The Best Available Profile Adjustment for each Review shall be calculated as follows:

$$PA_{B,n} = PA_{E,m} \cdot \frac{RPI_B}{RPI_E}$$

where $PA_{E,m}$ will have been Determined by the Authority at the preceding Review.

$PA_{E,m}$ will have been calculated by the Authority as follows:

$$PA_{E,m} = \left(\begin{aligned} &\sum_{t=m+1}^n F_{E,t} (1+r_E)^{n-t} - TRV_{E,m} (1+r_E)^{n-m} \\ &+ DAV_{E,n} + CC_{E,n} + Q_{E,n} \\ &+ \sum_{t=m-1}^n UAO_{B,t} (1+r_E)^{n-t} \end{aligned} \right)$$

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~~$$PA_{E,m} = \left(\sum_{t=m+1}^n F_{E,t} (1+r_E)^{n-t} - TRV_{E,m} (1+r_E)^{n-m} + DAV_{E,n} + CC_{E,n} + Q_{E,n} \right)$$~~

Where:

m, n are Formula Years as defined in Condition 2.3.12;

$\sum_{t=m+1}^n$ is the summation of data in respect of all Formula Years from $m+1$ to n (inclusive);

$F_{E,t}$, $r_{E,t}$, $TRV_{E,m}$, $DAV_{E,n}$, $CC_{E,n}$, $Q_{E,n}$ are Determination Values and Designated Parameters established by the Authority at the previous Review in respect of Formula Years t, m or n (respectively);

r_E is the Designated Parameter for rate of return that applies to each of the Formula Years within the relevant period. Provided that, where the Authority did not establish the same value for each of the relevant Formula Years, $(1+r_E)^{n-t}$ shall be replaced with $(1+r_{E,t+1}) \cdot (1+r_{E,t+2}) \dots (1+r_{E,n})$ and $(1+r_E)^{n-m}$ shall be treated accordingly.

~~$\sum_{t=m-1}^{t=n} UAO_{B,t}$~~ is the summation of the Best Available Uncertainty Mechanism Opex Adjustments for each Formula Year t in the period comprising Formula Years $t=m-1$ to $t=n$.

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2.3.20 Closing Regulatory Value

If $DAV_{E,t=q} > 0$, this value shall be returned to the Licensee in those Formula Years following $t = q$, in accordance with the principles determined by the Authority at that time, such principles to provide (inter alia) for an allowed rate of return and depreciation rate.

2.3.21 New Connections

The Licensee shall, at each Review, submit Best Available Values for the number of New Connections it expects in each Conveyance Category i and Conveyance Subcategory j in the period $t=n+1$ to $t=q$.

2.3.22 Current Designated Parameters

The Designated Parameters to apply in the first Formula Year ($m+1$) and in each subsequent Formula Year up to and including Formula Year n shall be:

| Designated Parameter | Value |
|----------------------|--|
| r_t | <u>0.0430</u> 0.0750 <u>426</u> |
| m | <u>2017</u> 6 <u>2013</u> |
| n | <u>2022</u> 2016 |
| q | <u>2046</u> 2046 |
| RPI | <u>257.6</u> 244.2 |

2.3.23 Definitions and Interpretation

In this Condition 2.3, the following terms and expressions shall have the meanings attributed to them below:

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| | |
|--------------------------|---|
| “Actual” | used as an adjective in relation to another defined word or phrase, means the Actual Value to be attributed to it; |
| “Actual Value” | means, in relation to any quantifiable term and in respect of any Formula Year t , a value that is established as the accurate value to be attributed to that term at the end of that Formula Year by reference to verifiable data in the possession of the Licensee. An Actual Value is denoted in the terms of formulae in this Condition 2.3 by the use of an F subscript; |
| “Average Specified Rate” | means, in respect of a Formula Year, the average of the daily base rates of Northern Bank plc expressed as a percentage (or if such a rate ceases to be published, such other comparable rate as the Authority may specify) |
| “Annual Depreciation” | means the annual depreciation of those assets included within the Depreciated Asset Value, allocated on a systematic basis over the useful lives of such assets, using policies and asset life assumptions approved by the Authority. The Depreciated Asset Value for 2006 shall be depreciated on a straight-line basis using a 40 year asset life; |
| “Best Available” | used as an adjective in relation to another defined word or phrase, means the Best Available Value to be attributed to it; |
| “Best Available Value” | means, in relation to any quantifiable term, a value for which the Licensee is required to provide best available information in accordance with Condition 2.3.14 or 2.3.15 and which, in respect of past Formula Years and to the extent possible, is based on Actual Values, and otherwise is a forecast best estimate. A Best Available |

Value is denoted in the terms of formulae in this Condition 2.3 by the use of a *B* subscript;

“*Capital Creditors*” means, in respect of each Formula Year and to the extent that they relate to the Controlled Charges:

- (i) Any monies due from the Licensee, relating to Capital Expenditure, at the end of that Formula Year; plus
- (ii) Any payments due from the Licensee, relating to Capital Expenditure, that, at the end of that Formula Year, constitute accruals.

“Capital Expenditure” means that capital expenditure in Formula Year *t* *before adjustments for Movements in Capital Creditors* for the development, construction, maintenance and operation of the Network in order to provide conveyance services in an economically efficient and safe manner given forecast development, including but not limited to the capital costs of standard credit and prepayment gas meters which the Licensee may be required to provide under Condition 2.6.1 and payments which may be made by the Licensee under Conditions 2.6.2(a)(ii) and 2.6.3(a)(ii) and expenditure on capital works by the Licensee undertaken by affiliates or related undertakings, but excluding costs which may be recoverable by the Licensee under Conditions 2.4, 2.6.2(a)(i) and 2.6.3(a)(i);

“*Conveyance Category*” and “*Conveyance Subcategory*” means a particular group of customers defined for the purposes of calculating the maximum conveyance revenue and applying a connections incentive, the four Conveyance Categories *i*, and their Conveyance

Subcategories j (where applicable) being:

i = 1 firm gas demand of less than 2,500 therms per annum which uses distribution pipe-line for conveyance;

Subcategories j:

j = 1 domestic owner occupied;

j = 2 domestic new build;

j = 3 domestic N.I.H.E;

j = 4 industrial and commercial

i = 2 small and medium industrial and commercial - firm gas demand of 2,500 - 25,000 therms per annum which uses distribution pipe-line for conveyance;

i = 3 large industrial and commercial - firm gas demand of over 25,000 therms per annum which uses distribution pipe-line for conveyance;

Subcategories j:

j = 1 firm gas demand of 25,000 - 75,000 therms per annum;

firm gas demand of over 75,000 therms per annum. i = 4 interruptible - gas demand which can be interrupted under the terms of the supply contract and which uses distribution pipe-line for conveyance;

“Designated Parameters” means those parameters set out in Condition 2.3.26, the applicable values from time to time for which are set out in Condition 2.3.22 (and denoted in the terms of formulae in this Condition 2.3 by the use of an *E* subscript); and, in respect of Best Available Values, the Licensee’s proposed values for those parameters (highlighted by use of the *B* subscript). The Designated Parameters set at one Review will apply unless and until revised at the next Review. Unless a Designated Parameter has a *t* subscript, the value set at a Review must be the same for each Formula Year in the period $t=n+1$ to $t=q$;

“Determined” used as an adjective in relation to another defined word or phrase, means the Determination Value to be attributed to it;

“Determination Values” means those terms set out under that heading in Condition 2.3.25, the applicable values from time to time for which are set out in Condition 2.3.24 in respect of each Formula Year *t*. A Determination Value is denoted in the terms of formulae in this Condition 2.3 by the use of an *E* subscript;

“Final Determination” means the document of that title published by the Authority on 15 September 2016 for the purposes of the Review relating to the period commencing with $t=2017$;

“Formula Year” means a year commencing on 1 January;

“*New Connection*” *means a first time connection of a premises or site to the Network in Formula Year t and thus is one which has not previously contributed to the revenue of the Licensee for*

the conveyance of gas;

“Operating Expenditure” means that operating expenditure for the development, construction, maintenance and operation of the Network to provide conveyance services in an economically efficient and safe manner given forecast development and throughput, including but not limited to the charge for commissioning gas, such commissioning gas to be purchased on a economic basis, and including but not limited to the installation and operating costs of standard credit and pre-payment gas meters which the Licensee may be required to provide under Condition 2.6.1, and payments which may be made by the Licensee under Conditions 2.6.2(ii) and 2.6.3(ii) and the charges for services to the Licensee by affiliates or related undertakings of the Licensee, but excluding costs which may be recoverable by the Licensee under Conditions 2.4, 2.6.2(i) and 2.6.3(i). For the avoidance of doubt, allowed operating expenditure shall include but not be limited to the charge for gas purchased from companies affiliated to the Licensee for the purpose of operating the Network, such purchases to be on an economic basis;

“Retail Prices Index” or “*RPI*” means the General Index of Retail Prices published by the Office of National Statistics each month in respect of all items; or

(a) if the Index for the specified month in any year shall not have been published on or before the last day of the sixth month after the specified month, such index for such month or months as the Authority may after consultation with the Licensee determine to be appropriate in the circumstances; or

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b) if there is a material change in the basis of the Index, such other index as the Authority may after consultation with the Licensee determine to be appropriate in the circumstances;

| | |
|---|--|
| “Revenue Per Therm” | means, in respect of any Formula Year t , the Total Conveyance Revenue for that Formula Year divided by the Total Volume for that Formula Year; |
| “Review” | has the meaning attributed to it in Condition 2.3.11; |
| “Total Conveyance Revenue” | <i>means the allowed revenue for the conveyance of gas determined by the Authority;</i> |
| “Total Volume” | means the aggregate quantity of gas, in therms, taken off the Network as a result of arrangements with gas suppliers in the Formula Year; |
| <u>“Uncertainty Mechanism Capex Adjustment”</u> | <u>means, in respect of the current Review, an adjustment (if any) in respect of the Determination Value $C_{E,t}$ set out in Condition 2.3.24, as calculated by the Authority in accordance with the principles and methodology described in the Final Determination, for the purposes of establishing the Determination Value $DAV_{E,t}$ for the Formula Years t occurring during the period $t = n+1$ to $t = q$ (inclusive) for that Review;</u> |
| <u>“Uncertainty Mechanism Opex Adjustment”</u> | <u>means, in respect of the current Review, an adjustment (if any) in respect of the Determination Value $O_{E,t}$ set out in Condition 2.3.24, as calculated by the Authority, in accordance with the principles and methodology described in the Final Determination, for the purposes of calculating and establishing the Determination Value</u> |

| | |
|---|---|
| | <p><u>$TRV_{E,m}$ for the Formula Years t occurring during the period $t = n+1$ to $t = q$ (inclusive) for that Review;</u></p> |
| <p><u>“Uncertainty Mechanism Rate of Return Adjustment”</u></p> | <p><u>means, in respect of the current Review, an adjustment to reflect the financial value (if any) attributable to the difference between the value of Designated Parameter r set out in Condition 2.3.22 and a revised value of that Designated Parameter r, as calculated by the Authority in accordance with the principles and methodology described in the Final Determination, for the purposes of calculating and establishing the Determination Value $TRV_{E,m}$ for the Formula Years t occurring during the period $t = n+1$ to $t = q$ (inclusive) for that Review; and</u></p> |
| <p>“Working Capital”</p> | <p>means, in respect of each Formula Year and to the extent only that they relate to the Controlled Charges:</p> <ul style="list-style-type: none"> (i) any monies due to the Licensee, at the end of that Formula Year; plus (ii) any payments by the Licensee that, at the end of that Formula Year, constitute prepayments; plus (iii) any grants that are, at the end of that Formula Year, still due to the Licensee; less (iv) any monies due from the Licensee, at the end of that Formula Year; less (v) any payments due from the Licensee that, at the end of that Formula Year, constitute accruals. |

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In this Condition 2.3, “revenue”, “expenditure”, “debtors”, “prepayments”, “creditors” and “accruals” *including Capital Creditors* are the amounts *which* are confirmed by the *auditors to be relevant* to the *provision of conveyance services within the meaning of this Licence and which are equal to such of those relevant amounts as have been included under appropriate headings in the financial statements of the Licensee’s Separate Business of conveying gas to, through and within the Licensed Area as specified in Condition 1.3* for each period in question

2.3.24 Current Determination Values

The Determination Values to apply in the first Formula Year (year $m+1$) and in each subsequent Formula Year up to and including Formula Year n shall be:

| | |
|---------------------------|---------------------------|
| <u>not</u> <u>used</u> | <u>not</u> <u>used</u> |
| <u>not</u> <u>used</u> | <u>not</u> <u>used</u> |

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| Determination Value | | All Values in £(000's) and Indexed to RPI 2014 | | | | | | | | | |
|---------------------|---------|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | t=2017 | t=2018 | t=2019 | t=2020 | t=2021 | t=2022 | t=2023 | t=2024 | t=2025 | t=2026 |
| $V_{E,1,t}$ | $i = 1$ | 78,885 | 82,121 | 85,375 | 88,665 | 91,966 | 95,217 | 97,358 | 98,897 | 99,751 | 101,408 |
| $V_{E,2,t}$ | $i = 2$ | 21,631 | 21,885 | 22,162 | 22,466 | 22,789 | 23,123 | 23,192 | 23,152 | 23,100 | 23,047 |
| $V_{E,3,t}$ | $i = 3$ | 29,598 | 29,723 | 29,848 | 29,973 | 30,098 | 30,223 | 30,095 | 29,965 | 29,833 | 29,578 |
| $V_{E,4,t}$ | $i = 4$ | 18,768 | 18,768 | 18,768 | 18,768 | 18,768 | 18,768 | 18,611 | 18,455 | 18,298 | 18,142 |
| $C_{E,t}$ | | 10,468 | 10,927 | 15,615 | 18,200 | 16,828 | 16,189 | 11,590 | 10,776 | 13,925 | 10,982 |
| $CC_{E,t}$ | | -5,989 | -6,066 | -6,847 | -7,278 | -7,049 | -6,943 | -6,176 | -6,040 | -6,565 | -6,075 |
| $O_{E,t}$ | | 14,737 | 14,422 | 14,331 | 14,281 | 14,179 | 14,286 | 14,433 | 14,550 | 14,665 | 14,774 |
| $D_{E,t}$ | | 14,748 | 15,224 | 15,835 | 16,563 | 17,290 | 17,930 | 18,460 | 18,944 | 19,506 | 19,962 |
| $F_{E,t}$ | | 25,896 | 27,822 | 25,265 | 23,180 | 24,848 | 28,339 | 33,034 | 34,923 | 32,608 | 34,910 |
| $Q_{E,t}$ | | -3,203 | -2,954 | -2,729 | -2,506 | -2,274 | -2,070 | -1,968 | -1,903 | -1,880 | -1,814 |
| $P_{E,1,t}$ | $i = 1$ | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 |
| $P_{E,2,t}$ | $i = 2$ | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 |
| $P_{E,3,t}$ | $i = 3$ | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 |
| $P_{E,4,t}$ | $i = 4$ | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 |
| $R_{E,t}$ | | 51,932 | 53,343 | 54,769 | 56,219 | 57,679 | 59,125 | 59,926 | 60,449 | 60,698 | 61,222 |
| $DAV_{E,t}$ | | 421,864 | 426,373 | 427,189 | 400,858 | 401,760 | 400,019 | 393,149 | 384,980 | 379,399 | 370,418 |
| $TRV_{E,\infty}$ | | | | | | | 592,436 | | | | |
| $PA_{E,\infty}$ | | | | | | | 201,430 | | | | |

| Determination Value | | t=2027 | t=2028 | t=2029 | t=2030 | t=2031 | t=2032 | t=2033 | t=2034 | t=2035 | t=2036 |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | | | | | | | | | |
| $V_{E,1,t}$ | $i = 1$ | 102,550 | 103,556 | 104,436 | 105,187 | 105,820 | 106,336 | 106,739 | 107,030 | 107,251 | 107,440 |
| $V_{E,2,t}$ | $i = 2$ | 22,970 | 22,884 | 22,792 | 22,697 | 22,602 | 22,505 | 22,406 | 22,306 | 22,203 | 22,099 |
| $V_{E,3,t}$ | $i = 3$ | 29,323 | 29,068 | 28,813 | 28,558 | 28,303 | 28,048 | 27,793 | 27,538 | 27,283 | 27,028 |
| $V_{E,4,t}$ | $i = 4$ | 17,986 | 17,829 | 17,673 | 17,516 | 17,360 | 17,204 | 17,047 | 16,891 | 16,734 | 16,578 |
| $C_{E,t}$ | | 9,405 | 8,602 | 8,316 | 8,025 | 8,079 | 7,947 | 7,957 | 7,671 | 7,889 | 7,757 |
| $CC_{E,t}$ | | -5,812 | -5,678 | -5,630 | -5,582 | -5,591 | -5,569 | -5,571 | -5,523 | -5,559 | -5,537 |
| $O_{E,t}$ | | 14,873 | 14,967 | 15,010 | 15,043 | 15,067 | 15,081 | 15,086 | 15,087 | 15,171 | 15,254 |
| $D_{E,t}$ | | 20,221 | 20,426 | 20,608 | 20,796 | 21,004 | 21,147 | 21,258 | 21,335 | 21,388 | 21,411 |
| $F_{E,t}$ | | 36,958 | 38,059 | 38,593 | 39,008 | 39,098 | 39,248 | 39,275 | 39,485 | 39,220 | 39,139 |
| $Q_{E,t}$ | | -1,779 | -1,752 | -1,727 | -1,708 | -1,695 | -1,688 | -1,687 | -1,692 | -1,711 | -1,732 |
| $P_{E,1,t}$ | $i = 1$ | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 |
| $P_{E,2,t}$ | $i = 2$ | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 |
| $P_{E,3,t}$ | $i = 3$ | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 |
| $P_{E,4,t}$ | $i = 4$ | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 |
| $R_{E,t}$ | | 61,534 | 61,789 | 61,992 | 62,143 | 62,248 | 62,306 | 62,318 | 62,285 | 62,225 | 62,150 |
| $DAV_{E,t}$ | | 359,602 | 347,778 | 335,485 | 322,715 | 309,790 | 296,591 | 283,290 | 269,626 | 256,127 | 242,473 |
| $TRV_{E,\infty}$ | | 542,431 | | | | | 457,119 | | | | |
| $PA_{E,\infty}$ | | 190,420 | | | | | 167,786 | | | | |

| Determination Value | | t=2037 | t=2038 | t=2039 | t=2040 | t=2041 | t=2042 | t=2043 | t=2044 | t=2045 | t=2046 |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | | | | | | | | | |
| $V_{E,1,t}$ | $i = 1$ | 107,597 | 107,719 | 107,804 | 107,849 | 107,856 | 107,824 | 107,758 | 107,889 | 107,759 | 107,152 |
| $V_{E,2,t}$ | $i = 2$ | 21,992 | 21,881 | 21,765 | 21,642 | 21,512 | 21,376 | 21,236 | 21,095 | 20,952 | 20,808 |
| $V_{E,3,t}$ | $i = 3$ | 26,773 | 26,518 | 26,263 | 26,008 | 25,753 | 25,498 | 25,243 | 24,988 | 24,733 | 24,478 |
| $V_{E,4,t}$ | $i = 4$ | 16,422 | 16,265 | 16,109 | 15,952 | 15,796 | 15,640 | 15,483 | 15,327 | 15,170 | 15,014 |
| $C_{E,t}$ | | 7,470 | 8,219 | 8,669 | 9,435 | 9,848 | 10,174 | 9,771 | 9,139 | 9,072 | 9,072 |
| $CC_{E,t}$ | | -5,490 | -5,614 | -5,689 | -5,817 | -5,886 | -5,940 | -5,873 | -5,768 | -5,757 | -5,757 |
| $O_{E,t}$ | | 15,335 | 15,415 | 15,494 | 15,571 | 15,647 | 15,722 | 15,795 | 15,867 | 15,933 | 16,015 |
| $D_{E,t}$ | | 21,370 | 21,347 | 21,422 | 21,532 | 21,750 | 21,993 | 22,250 | 22,437 | 22,658 | 10,794 |
| $F_{E,t}$ | | 39,232 | 38,475 | 37,779 | 36,854 | 36,153 | 35,568 | 35,591 | 35,990 | 35,886 | 35,443 |
| $Q_{E,t}$ | | -1,755 | -1,780 | -1,808 | -1,838 | -1,870 | -1,905 | -1,942 | -1,967 | -2,007 | -2,077 |
| $P_{E,1,t}$ | $i = 1$ | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 | 0.3951 |
| $P_{E,2,t}$ | $i = 2$ | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 | 0.3556 |
| $P_{E,3,t}$ | $i = 3$ | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 | 0.3349 |
| $P_{E,4,t}$ | $i = 4$ | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 | 0.1685 |
| $R_{E,t}$ | | 62,062 | 61,960 | 61,840 | 61,703 | 61,547 | 61,374 | 61,187 | 61,077 | 60,863 | 60,460 |
| $DAV_{E,t}$ | | 228,573 | 215,445 | 202,692 | 190,595 | 178,693 | 166,874 | 154,394 | 141,096 | 127,510 | 125,789 |
| $TRV_{E,\infty}$ | | 349,314 | | | | | 228,732 | | | | 117,955 |
| $PA_{E,\infty}$ | | 127,986 | | | | | 69,703 | | | | 0 |

2.3.25 Best Available Values, Determination Values and Actual Values

| Description | Best Available Values | Determination Values | Actual Values |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Volume (for Conveyance Categories i) | $V_{B,i,t}$ | $V_{E,i,t}$ | $V_{F,i,t}$ |
| Capital Expenditure | $C_{B,t}$ | $C_{E,t}$ | |
| Capital Creditors | $CC_{B,t}$ | $CC_{E,t}$ | |
| Operating Expenditure | $O_{B,t}$ | $O_{E,t}$ | |
| Annual Depreciation | $D_{B,t}$ | $D_{E,t}$ | |
| Cash Flow (calculated in accordance with Condition 2.3.16) | $F_{B,t}$ | $F_{E,t}$ | |
| Working Capital | $Q_{B,t}$ | $Q_{E,t}$ | |
| Revenue Per Therm (for Conveyance Categories i) | $P_{B,i,t}$ | $P_{E,i,t}$ | $P_{F,i,t}$ |
| Total Conveyance Revenue | $R_{B,t}$ | $R_{E,t}$ | |
| Number of New Connections (for Conveyance Categories i and Conveyance Subcategories j) | $N_{B,i,j,t}$ | $N_{E,i,j,t}$ | $N_{F,i,j,t}$ |
| Average Incentive Value (for Conveyance Categories i and Conveyance Subcategories j) | $H_{B,i,j,t}$ | $H_{E,i,j,t}$ | |
| Depreciated Asset Value (calculated in accordance with Condition 2.3.17) | $DAV_{B,t}$ | $DAV_{E,t}$ | |

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| | | | |
|--|--------------------------------|-------------|--------------------------------|
| Total Regulatory Value (calculated in accordance with Condition 2.3.18)* | $TRV_{B,n}$ | $TRV_{E,m}$ | |
| Profile Adjustment (calculated in accordance with Condition 2.3.19)* | $PA_{B,n}$ | $PA_{E,m}$ | |
| <u>Uncertainty Mechanism Capex Adjustment</u> | <u>$UAC_{B,t}$</u> | | <u>$UAC_{F,t}$</u> |
| <u>Uncertainty Mechanism Opex Adjustment</u> | <u>$UAO_{B,t}$</u> | | <u>$UAO_{F,t}$</u> |
| <u>Rate of Return Adjustment</u> | <u>$RORA_{B,t}$</u> | | <u>$RORA_{F,t}$</u> |

* at end of Formula Year n (for the Review in which Best Available Values are being submitted) or at the end of Formula Year m (on and following determination of Determination Values for that Review).

2.3.26 Designated Parameters

| Description | Designated Parameters | Limitation to the application of re- designated values |
|--|--------------------------|---|
| Rate of return | r_t | Means a pre-tax rate of return of 7.5% up to and including Formula Year 2016 applied to real cashflows, after which time it may be reviewed by the Authority; |
| Trigger for Reviews (as defined in Condition 2.3.11) | n | A Formula Year |
| The Formula Year that was n for the preceding review | m | A Formula Year |

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| | | |
|--|-------|--|
| The forecasting horizon for review calculations (as defined in Condition 2.3.12) | q | Shall be the Formula Year 2046 until 2041, after which time it may be the Formula Year 2046 or any Formula Year after 2046 |
| The indexation base * | RPI | None |

* which will, in respect of the Determination Values determined at the Review in question, reflect the prices in which those Determination Values are expressed. It can therefore be used, in conjunction with $RPI_{F,t}$, to adjust the Determined Revenue Per Therm value to allow for changes in the Retail Prices Index in the period since the value of the Determined Revenue Per Therm was determined.

Key to other formula parameters:

a subscript to denote a Formula Year as defined in Condition 2.3.12;

B subscript to denote a Best Available Value;

C_t Capital Expenditure in Formula Year t ;

CC_t *Capital Creditors in Formula Year t ;*

CC'_t *Movement in Capital Creditors in Formula Year t ;*

E subscript to denote Determination Values;

F subscript to denote Actual Values;

i subscript to denote a Conveyance Category;

j *subscript to denote a Conveyance Subcategory;*

I_t Average Specified Rate in Formula Year t

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| | |
|----------------|--|
| m | subscript to denote a Formula Year as defined in Condition 2.3.12; |
| Q_t | Working Capital in Formula Year t |
| Q'_t | Movement in Working Capital in Formula Year t ; |
| O_t | Operating Expenditure in Formula Year t ; |
| PA_t | Profile Adjustment (calculated in accordance with Condition 2.3.19) in Formula Year t ; |
| RPI_E, RPI_B | Retail Prices Index base reference points (as defined in Conditions 2.3.8 and 2.3.14); |
| $RPI_{F,t}$ | Retail Prices Index value for September of Formula Year t ; |
| t | subscript to denote any Formula Year; |
| $Z_{F,i,t}$ | the Actual Value for accumulated under or over-recoveries for Formula Year t and Conveyance Category i (calculated in accordance with Condition 2.3.9). |

Condition 2.4: Connection Charges and Obligation to permit a Connection

2.4.1 Provisional Statement of connection charges, terms for connection and meter connections and disconnections

Subject to Condition 2.4.3 and 2.4.4, the Licensee shall no later than 3 months after the coming into force of (i) this licence or (ii) any modification of this condition 2.4 (as the case may be) give the Authority a statement for the approval of the Authority as to form and content, showing the methods by which and the principles on which charges are to be determined by the Licensee, for:

- (a) connecting any premises to any part of the Network which can reasonably be expected to become operational prior to the Licensee giving its statement under Condition 2.4.2, and for maintaining, repairing and renewing the connection and disconnecting the premises and removing gas fittings owned by it and comprised in the connection;
- (b) connecting and disconnecting non standard gas meters and gas meters not owned by the Licensee in any premises; and
- (c) connecting to any part of the Network which can reasonably be expected to become operational prior to the Licensee giving its statement under Condition 2.4.2, any pipe-line system to or from which gas will be conveyed by means of that element of the Network, and maintaining, repairing and renewing the connection;

and in any such case the Licensee shall, when giving such a statement, include in that statement the Licensee's other terms for the connection and an explanation of those terms together with the Licensee's technical design and operational requirements which apply to the making of a connection to its Network.

2.4.2 Statement of connection charges, terms for connection and meter connections and disconnections

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Subject to Conditions 2.4.3 and 2.4.4, the Licensee shall no later than 1st September 1997 give the Authority a statement superseding that under Condition 2.4.1, for the approval of the Authority as to form and content, showing the methods by which and the principles on which charges are to be determined by the Licensee, for:

- (a) connecting any premises to the Network, maintaining, repairing and renewing the connection and disconnecting the premises and removing gas fittings owned by it and comprised in the connection;
- (b) connecting and disconnecting non standard gas meters and gas meters not owned by the Licensee in any premises; and
- (c) connecting to the Network any pipe-line system to or from which gas will be conveyed by means of the Network and maintaining, repairing and renewing the connection,

and in any such case the Licence shall when giving such a statement include in that statement the Licensee's other terms for the connection and an explanation of those terms together with the Licensee's technical design and operational requirements which apply to the making of a connection to its Network.

2.4.3 The statement and cases and classes of cases

The statement given by the Licensee under Conditions 2.4.1 and 2.4.2 shall:

- (a) subject to Condition 2.4.6(b), clearly distinguish cases and classes of cases of person for whom the Licensee proposes different methods or principles for connection; and
- (b) in respect of any such case, or class of cases, show that element of connection costs the Licensee proposes to recover by way of conveyance charges to gas suppliers.

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2.4.4 The statement to give likely indication of costs and additional duty to provide information

The statement given under Conditions 2.4.1 and 2.4.2 shall also for the Authority's information where practicable indicate the costs likely to arise in respect of work done and materials used in connecting any premises, non standard gas meters, gas meters not owned by the Licensee or pipe-line system and the Licensee shall:

- (a) prepare the statement in such a manner as will reasonably enable a person to estimate the Licensee's connection charges in those circumstances; and
- (b) enable a person requesting a connection in those circumstances to determine what works or other actions he would need to undertake, including without limitation any work or action required to comply with the Licensee's technical design and operational requirements, for the Licensee to provide the connection.

2.4.5 Authority's approval required to stated connection charges and publication of statement

Subject to the Authority's prior approval to the form and contents of the statement given by the Licensee under Conditions 2.4.1 and 2.4.2 as they relate to charges for connection, the Licensee shall:

- (a) publish that statement in such manner as will secure adequate publicity for it; and
- (b) send a copy of any such statement to any person who asks for one;

and in approving the basis for charging for connection the Authority shall have regard to the need of the Licensee to be able to finance the carrying on of its activities and a return equal to that which in the reasonable opinion of the Authority is appropriate.

2.4.6 Connection charges and terms for connection, prohibition on undue discrimination and connection of pipe-line systems

The Licensee shall:

- (a) not charge for a connection of premises, of any non standard gas meter, gas meter not owned by it or any pipe-line system to the Network on any basis or establish other terms for the connection on any basis other than that contained in the statement published under Condition 2.4.5;
- (b) not show any undue preference towards or undue discrimination against any person or case or classes of cases of person seeking a connection of premises to the Network, or of any non standard gas meter, gas meter not owned by the Licensee or any person who operates or proposes to operate a pipe-line system, in relation to the connection of that system to the Network and in the case of a pipe-line system to be connected to the Network the Licensee shall not refuse a request for connection where the person seeking the connection is willing to pay the Licensee's charges for connection and comply with the Licensee's other terms for connection including any terms as to technical and safety matters; and
- (c) within 28 days of receiving a request for the quotation of connection charges covered by the published statement, provide the person requesting the quotation with a specific statement of the connection charges and other terms of connection applicable to the request for a quotation;

and for the purposes of Condition 2.4.6(c) and the Licensee's obligation to provide a specific statement of connection charges, a request for the quotation of connection charges shall be treated as such if it is in such form as the Licensee can reasonably be expected to provide a specific statement of connection charges in return.

2.4.7 Direction by the Authority

- (a) Where the Authority determines that it is necessary for the Licensee to revise:
 - (i) the methods and principles on which it has determined the charges and other terms for connection in the latest published statement; and/or

- (ii) the charges and other terms for connection it has determined and included in the latest published statement,

in order to ensure that they are (or continue to be) proportionate and applied in a non-discriminatory manner, the Authority may direct the Licensee to revise its methods, principles, charges or terms (as the case may be) in accordance with the provisions of the direction.

- (b) The Licensee shall comply with the requirements of any direction issued by the Authority under this Condition 2.4.7 and shall publish revised statements as soon as reasonably practicable in accordance with Condition 2.4.5.

2.4.8 Revising connection charges

Without prejudice to Condition 2.4.7, the Licensee shall not revise the basis of its charges for a connection of any premises, any non standard gas meter, any gas meter not owned by it or any pipe-line system to the Network or the other terms for the connection, without first giving the Authority a revised statement in the same terms as in either Condition 2.4.1 or 2.4.2 as the case may be and obtaining the Authority's approval to such a revision in the same terms as Condition 2.4.5.

2.4.9 Resolution of disputes by the Authority

The Authority may, on the application of any person entitled (or claiming to be entitled) to require a connection to the Network will refer the application in the first instance to the General Consumer Council who will try to resolve the dispute, provided the General Consumer Council shall give the Licensee not less than one month in which to make representations regarding such application:

- (a) the General Consumer Council will settle any dispute between the applicant and the Licensee in so far as it relates to the provision or making of a connection by the Licensee; and
- (b) in particular, determine the charges and other terms on which the Licensee shall (notwithstanding Condition 2.4.6) provide or make the connection in question (where the applicant is willing to accept the same), in such manner as the Authority considers appropriate having regard to (in so far as is

appropriate) the obligations that would otherwise have applied to the Licensee under Condition 2.4.6 and the relevant objective as defined in Condition 2.5.1.

If the General Consumer Council is unable to resolve the dispute the application will be referred back to the Authority. The Authority will try to resolve the dispute with reference to conditions 2.4.9 (a) and 2.4.9 (b).

2.4.10 Explanation of connection charging methodology for introducing gas to the Network

The Licensee shall comply with any direction given by the Authority to furnish it with a statement showing, so far as reasonably practicable, the methods by which and the principles on which charges are to be made by the Licensee for making a connection for the purposes of introducing gas into the Network and, in the context of making such a connection, for:

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

including where practicable an indication of likely costs and the other terms for doing so.

2.4.11 Authority's consent required for charges and other terms for introducing gas to the Network and prohibition on undue discrimination and connections for introducing gas to the Network

The Licensee shall not:

- (a) charge for a connection to introduce gas to the Network on any basis or on any other terms without the consent of the Authority; and
- (b) show any undue preference towards or undue discrimination against any person seeking a connection to introduce gas to the Network and in the case of a connection to introduce gas to the Network the Licensee shall not refuse a request for connection where the person seeking the connection is willing to pay the Licensee's charges for connection and comply with the Licensee's

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other terms for connection including any terms as to technical and safety matters.

2.4.12 Publication of connection charge statements

The Licensee shall:

- (a) publish a statement of the basis of its connection charges for introducing gas to the Network and its other terms for connection as the Authority has consented to under Condition 2.4.9 in such manner as will secure adequate publicity for it; and
- (b) send a copy of any such statement to any person who asks for one.

2.4.13 Interpretation and construction

References in this Condition to:

"charges" shall include references to means whereby such charges may be ascertained;

"prices" or "charges" shall exclude reference to any supplementary charges arising pursuant to special connection arrangements.

2.4.14 Special connection arrangements

The provisions of this Condition 2.4.14 and hence Conditions 2.4.15, 2.4.16 and 2.4.17 shall have effect from 1st January 2005 and "Special connection arrangements" means arrangements under which:

- (a) the Licensee makes charges to gas suppliers, by way of supplement to conveyance charges, in respect of the laying of any main for the purpose of conveying gas to a number of new or existing premises in an area where gas had not previously been conveyed through pipes to premises (or where such conveyance had ceased for a period in excess of 3 years); and
- (b) the charges are in accordance with principles and methods (whether general or specific to a particular locality) to which the Authority has given its consent prior to the appointed day or (if later) the construction of the main.

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2.4.15 Supplemental connection charges

If the Licensee makes charges pursuant to special connection arrangements ("supplemental charges"), it shall:

- (a) prepare and keep up to date a statement (or statements in respect of particular localities) of the principles and methods approved by the Authority and of the supplemental charges arising from time to time thereunder; and
- (b) if the statements are not in a suitable form for the purpose, prepare and keep up to date a summary document for the use of gas suppliers setting out the supplemental charges and particulars of where they apply.

2.4.16 Special connection arrangements statement

The Licensee shall publish any statement or summary document prepared pursuant to Condition 2.4.15 in such manner as will secure adequate publicity for it, and send a copy to any person who asks for one.

2.4.17 Supplemental charges

In any Condition (whether standard or otherwise) of this licence which limits the prices or revenues for the conveyance of gas (whether or not including storage) references to such prices or revenues shall be taken to exclude the prices applicable to or revenues arising from supplemental charges.

2.4.18 Obligation to permit a connection

Where the Licensee has ceased to be exclusively entitled to convey gas to any premises under Conditions 2.2.3 and 2.2.5 then subject to a person who has a licence or exemption to convey gas:

- (a) satisfying any technical and safety criteria contained in the Network Code;
- (b) satisfying the Licensee's technical design and operational requirements ;and
- (c) paying to the Licensee a connection fee (determined by the Licensee except insofar as the Authority otherwise directs or determines under Condition 2.4.9(b)), to connect a pipe-line between the Network and the premises,

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the Licensee shall permit a connection to the Network by that person.

Condition 2.4A Compliance with System Operator Agreements

2.4A.1 Ability to require other licence holders to enter into agreements

Subject to Condition 2.4A.2, where the Licensee is designated under this Licence Document as either a transmission system operator or a distribution system operator, it may require any other person holding a licence granted under Article 8(1)(a) of the Order (whether or not that person is also designated as a transmission system operator or a distribution system operator) to enter into an agreement relating to the interaction or interoperability of its Network with that person's network such that will ensure the conveyance of gas in a manner compatible with the secure and efficient operation of both systems.

2.4A.2 Approval by the Authority

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

2.4A.3 Obligation to enter into agreements

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

2.4A.4 Network operator agreement

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

Condition 2.5: Network Code

2.5.1 The relevant objective

The Licensee shall establish transportation arrangements, being arrangements other than those to which Conditions 2.3 and 2.4 relate, for the conveyance of gas through distribution pipelines which are calculated to facilitate the achievement of the "relevant objective", that is to say:

- (a) the secure, safe, reliable, efficient and economic development and operation and maintenance of the Network with due regard to the environment;
- (b) where the Licensee is responsible for the balancing of the Network, the balancing of the Network pursuant to rules for that purpose which are objective, transparent and non-discriminatory (including the rules for the charging of system users for energy imbalances); and
- (c) subject thereto:
 - (i) compliance with the Licensee's other obligations under this Licence Document; and
 - (ii) subject to Condition 2.5.1(c)(i), the promotion of effective competition between Users .

2.5.2 Network Code

The Licensee shall:

- (a) prepare and provide to the Authority for its approval (no later than 1st November 2004) a document (the "Network Code") setting out the arrangements for the conveyance of gas through distribution pipelines established under Condition 2.5.1 and the terms on which it will enter into such arrangements with Users for the conveyance of gas through distribution pipelines;

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- (b) where, pursuant to Condition 2.14.1 the Licensee is designated as a distribution system operator, ensure that the Distribution Network Code contains provisions that establish:
 - (i) the measures that the Licensee will put in place for the balancing of the Network;
 - (ii) the methodology used by the Licensee to procure the gas required for balancing the Network;
 - (iii) the methodology by which the charges to be levied on gas suppliers for the balancing of the Network are to be determined; and
 - (iii) the technical safety criteria applicable to the operation of the Network;
- (c) put such Network Code in place except as the Authority otherwise consents and comply with the provisions of the approved Network Code;
- (d) put in place appropriate contractual arrangements, approved by the Authority, which require compliance with the Network Code by the Licensee, the Users, and any third parties who may become parties to the Network Code; and
- (e) except in so far as the Authority consents to the Licensee doing so, not enter into any arrangements for the conveyance of gas except in accordance with the provisions of the Network Code applicable from time to time to the circumstances of the case.

2.5.3 Where a term of the Network Code or of the modification rules referred to in Condition 2.5.5 is framed so that its proper implementation is to be determined with regard to whether it facilitates the achievement of the relevant objective, either the Licensee or any other party to the Network Code who has entered into the arrangements to which that term applies, may, to the extent that the term so provides, refer to the Authority for determination any question as to whether a manner in which the Licensee proposes to implement the term would secure that objective.

2.5.4 Modification of the Network Code

The Licensee shall establish and implement procedures for the modification of the

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Network Code by the Licensee, subject to the provisions of this Condition, so as to better facilitate the achievement of the relevant objective and which will enable:

- (a) the Network Code to be reviewed;
- (b) modifications to be proposed by the Authority, the Licensee or by any other party to the Network Code;
- (c) adequate publicity to be given to any proposal by:
 - (i) drawing it to the attention of other parties to the Network Code;
 - (ii) sending a copy of the proposal to anyone who requests it; and
 - (iii) making it otherwise available in an appropriate manner where it is necessary for establishing whether the proposal would better facilitate the achievement of the relevant objective;
- (d) the preliminary views of the Authority to be sought in relation to any matter arising on a proposal to modify the Network Code; and
- (e) the representations or objections, with respect to any proposal to modify the Network Code, made (and not withdrawn) by any other party to the Network Code and by other persons who are likely to be materially affected by the proposal to be properly considered.

2.5.5 Modification Rules

The Licensee shall:

- (a) prepare "the modification rules", that is to say a document, or documents, setting out the terms of the procedures established under Condition 2.5.4, and shall furnish the Authority with a copy of the modification rules;
- (b) not make any modification to the modification rules except:
 - (i) after consulting the other parties to the Network Code;
 - (ii) after furnishing the Authority with a report on such consultation and

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consideration; and

(iii) with the consent of the Authority; and

(c) furnish the Authority with a copy of any modification so made.

2.5.6 Prohibition on irregular modification

The Licensee shall not make any modification to the Network Code except:

- (a) to comply with Condition 2.5.7(c); or
- (b) with the consent of the Authority;

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

2.5.7 Role of Authority in modifications

Where a proposal is made pursuant to the modification rules to modify the Network Code, the Licensee shall:

- (a) refer for determination by the Authority any question as to whether the representations or objections by any other party to the Network Code or by any other person, in respect of the proposal have been properly considered in accordance with those rules;
- (b) as soon as reasonably practicable, give notice to the Authority:
 - (i) giving particulars of the proposal;
 - (ii) where the proposal is made by any other party to the Network Code , giving particulars of any alternative proposal by the Licensee to modify the Network Code in respect of the same matter;
 - (iii) giving particulars of any representations or objections made by a party to the Network Code or by any other person in respect of those proposals;
 - (iv) stating whether, in its opinion, any proposed modification should or should not be made;
 - (v) stating the factors which, in its opinion, justify making or not making the proposed modification; and
 - (vi) giving such further information as may be prescribed by the

modification rules; and

- (c) comply with any direction given by the Authority to make a modification to the Network Code in accordance with a proposal described in a notice given to the Authority under sub-paragraph (b) which, in the opinion of the Authority will, as compared to the existing provisions of the Network Code or any alternative proposal, better facilitate the achievement of the relevant objective.

2.5.8 Publication of Network Code

The Licensee shall:

- (a) publish the Network Code and the modification rules as modified from time to time in such form and manner as the Authority may from time to time direct; and
- (b) send a copy of the Network Code and the modification rules as modified from time to time to any person who asks for a copy on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct.

2.5.9 Authority to determine material effect on persons of transportation arrangements

Except in so far as the Authority otherwise consents, the Licensee shall refer for determination by the Authority any question as to whether a person is likely to be materially affected by transportation arrangements or by a proposal to modify the Network Code.

2.5.10 Reasons for refusal of access

The Network Code prepared in accordance with this Condition shall require the Licensee to give duly substantiated reasons for any refusal of access to the Network.

2.5.11 Prohibition on undue discrimination

The Licensee shall not show an undue preference for or undue discrimination against any person or class or classes of person:

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- (a) in assessing a person's application to become a party to the Network Code;
and/or
- (b) in its interpretation of the Network Code and the application of procedures
contained in the Network Code.

2.5.12 Definitions

In this Condition 2.5, "User" means, as the context requires, any gas supplier or any person acting on behalf of a gas supplier who has made, or seeks to make, arrangements with the Licensee in pursuance of which gas is, or is to be, conveyed through the Network.

2.5.13 Performance of Obligations

- (a) The Licensee shall in fulfilling its obligations under Conditions 2.5.1 to 2.5.2 and 2.5.4 to 2.5.5:
 - (i) liaise and co-operate with any other person authorised by virtue of a licence granted under Article 8(1)(a) of the Order to convey gas through low pressure pipe-lines (a 'relevant licence holder') for the purposes of ensuring that the Network Code is, in so far as is possible, consistent with the network codes of relevant licence holders; and
 - (ii) comply with directions issued by the Authority (following consultation with the Licensee and relevant licence holders) for the purposes of this Condition 2.5.13.

Condition 2.6: Provision and Return of Meters

2.6.1 Provision of Standard Meters

The following provisions shall apply with respect to standard gas meters:

- (a) the Licensee shall at the request of any gas supplier wishing to supply gas to premises, install at those premises a standard gas credit or pre-payment meter to register the quantity of gas supplied to those premises. The Licensee shall, in setting its charges for the conveyance of gas, be entitled to recover from gas suppliers the additional cost in respect of the installation and maintenance of a pre-payment meter in accordance with principles and methodologies which the Authority has approved; provided that
- (b) the provisions of Condition 2.6.1(a) shall not apply, and the Licensee shall be entitled to charge its full costs of providing installing and operating a replacement standard gas meter requested by the gas supplier in accordance with principles and methodologies approved by the Authority, if the gas suppliers' request is to replace an existing standard gas credit or prepayment meter at premises connected to the Network by means of a service pipe, with a like standard gas credit or prepayment meter, and the existing standard gas credit or prepayment meter may otherwise be utilised by the gas supplier and is operational within the limits of required accuracy;
- (c) the Licensee shall comply with the gas supplier's request prior to the commencement of the supply of gas to those premises by the gas supplier or at the request of the gas supplier at any time thereafter as soon as is reasonably practicable.

2.6.2 Provision of Non Standard Credit Meters and Pre-payment meters

The Licensee shall:

- (a) comply with any reasonable request by any gas supplier wishing to supply gas to premises to provide and install at those premises a gas meter owned by the Licensee being a non standard gas credit or pre-payment meter (but being of

an appropriate type), specified by the gas supplier, if a meter of that type is readily available to the Licensee; and:

- (i) if the Licensee's capital, installation and (if any) operational costs of the non standard gas credit or pre-payment meter are greater than those like costs of a corresponding standard gas credit or pre-payment meter, as the case may be, then the Licensee shall be entitled to receive from the gas supplier the difference in the costs in accordance with principles and methodologies which the Authority has approved; or
 - (ii) if the Licensee's capital, installation and (if any) operational costs of the non standard gas credit or pre-payment meter are less than those like costs of a corresponding standard gas credit or pre-payment meter, as the case may be, then the Licensee shall pay the gas supplier the difference in the costs in accordance with the principles and methodologies which the Authority has approved; provided that
 - (iii) if the gas supplier's request is to replace an existing gas meter at premises connected to the Network by means of a service pipe, and that meter may otherwise be utilised by the gas supplier and is operational within the limits of required accuracy, then the provisions of Condition 2.6.2(a)(i) and (ii) shall not apply and the Licensee shall be entitled to charge its full costs of providing, installing and operating the gas meter requested by the gas supplier in accordance with principles and methodologies approved by the Authority;
- (b) comply with a request under Condition 2.6.2(a) prior to the commencement of the supply of gas to those premises by the gas supplier or at the request of the gas supplier at any time thereafter as soon as is reasonably practicable.

2.6.3 Installation of Gas Suppliers Meter

The Licensee shall:

- (a) comply with any reasonable request by any gas supplier wishing to supply gas to premises to install at those premises a gas meter of an appropriate type

owned by the gas supplier (or the owner or occupier of the premises); and

- (i) if the Licensee's, installation and (if any) operational costs relating to such a gas meter are greater than the capital, installation and (if any) operational costs of a corresponding standard gas credit or pre-payment meter, as the case may be, then the Licensee shall be entitled to receive from the gas supplier the difference in accordance with principles and methodologies which the Authority has approved; or
 - (ii) if the Licensee's installation and (if any) operational costs relating to such a gas meter are less than the capital, installation and (if any) operational costs of a corresponding standard gas credit or pre-payment meter, as the case may be, then the Licensee shall pay the gas supplier the difference in accordance with the principles and methodologies which the Authority has approved; provided that
 - (iii) if the gas supplier's request is to replace an existing gas meter at premises connected to the Network by means of a service pipe, and that meter may otherwise be utilised by the gas supplier and is operational within the limits of required accuracy, then the provisions of Condition 2.6.3(a)(i) and (ii) shall not apply and the Licensee shall be entitled to charge its full costs of installation and operation of the gas meter requested by the gas supplier in accordance with principles and methodologies approved by the Authority;
- (b) comply with a request under Condition 2.6.2(a) prior to the commencement of the supply of gas to those premises by the gas supplier or at the request of the gas supplier at any time thereafter as soon as is reasonably practicable.

2.6.4 Prohibition on undue discrimination

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

2.6.5 Disconnection of Meters

Subject to Condition 2.6.6, where any gas meter owned by the Licensee is disconnected by or returned to the Licensee, it shall promptly make an appropriate record of the details displayed on the register of the meter at the time of disconnection or return and of such other information in its possession as shall subsequently enable the identity and time of disconnection or return of the meter and the premises from which it was disconnected to be ascertained and shall keep such a record for a period of not less than two years from the date of the later of such disconnection or return.

2.6.6 Safe Custody of Meters

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

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

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

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

2.6.7 Provision of Information

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

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

2.6A.1 Obligation to provide information

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

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

2.6A.2 Ability to refuse

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

2.6A.3 Excluded information

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

2.6A.4 Arrangements for protecting confidentiality

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

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

2.6A.5 Definitions and interpretation

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

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

Condition 2.7: Conduct of Transportation Business

2.7.1 Conduct of business activities

The Licensee shall conduct its business activities relating to the conveyance of gas (including any activities related to making of arrangements with other network operators for the conveyance of gas through their networks for the purposes of Condition 2.13) in the manner best calculated to:

- (a) facilitate effective competition in the gas supply market in Northern Ireland; and
- (b) secure that neither:
 - (i) the Licensee or any affiliate or related undertaking of it or any company of which the Licensee is an affiliate or related undertaking; nor
 - (ii) any other licence holder or exemption holder;obtains any unfair commercial advantage in any business in the storage, supply or conveyance of gas including, in particular, any such advantage from a preferential or discriminatory arrangement.

2.7.2 Disclosure of information

The Licensee shall:

- (a) use its best endeavours to secure that any information relating to or derived from its business activities relating to the conveyance of gas (including any activities related to the making of arrangements with Other Network Operators for the conveyance of gas through their networks for the purposes of Condition 2.13) is not disclosed for the benefit or used for the purposes of:
 - (i) any trading business, affiliate or (so far as the Licensee can require it) related undertaking of the Licensee;
 - (ii) any company of which the Licensee is an affiliate or related undertaking; and

- (b) subject to paragraph (a) above, not show any undue discrimination against, or undue preference towards, any person or class of person, in disclosing any information relating to its Licensed Business which may be commercially advantageous to any other person.

2.7.3 Exempt information

Condition 2.7.2(a) shall not extend to:

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

2.7.4 Market Statements

The Licensee shall not, without the prior consent of the Authority, publish any statement or otherwise give any information in writing to consumers which is about or refers to:

- (a) the arrangements for, or the level of, competition in the gas supply market in Northern Ireland; or

- (b) the activities, position or status of any person competing or proposing to compete in the gas supply market in Northern Ireland.

2.7.5 Additional definition

In this Condition

"trading business" means activities connected with the acquisition and disposal of gas in Northern Ireland other than for the efficient operation of a pipe-line system operated by the Licensee or for replacing gas lost from the Network.

Condition 2.7A: Distribution Marketing Code

2.7A.1 Requirement to Prepare etc. a Code

The Licensee shall, no later than three months after this Condition takes effect or such later date as the Authority directs and together with every other distribution system operator, prepare, submit to and have approved by the Authority a code of practice to be known as the Distribution Marketing Code.

2.7A.2 The Code

The Distribution Marketing Code shall:

- (a) be designed to facilitate achievement of the relevant objectives set out in paragraph 2.7A.3; and
- (b) make provision relating to the relevant matters set out in paragraph 2.7A.4.

2.7A.3 The Relevant Objectives

The relevant objectives are that:

- (a) the marketing activities of distribution system operators in respect of the conveyance of gas through distribution pipelines:
 - (i) are conducted in a fair, transparent, appropriate and professional manner;
 - (ii) avoid any preference or discrimination being shown to or against any gas supplier;
 - (iii) do not restrict, distort or prevent competition in the supply of gas;
 - (iv) do not lead to consumer confusion about the relationship between and activities of gas distribution and gas supply; and
- (b) any information provided by the Licensee (whether in writing, by electronic display or verbally) to consumers about the Licensee's business, including in

particular about connections between consumers' premises and the Licensee's Network:

- (i) is complete and accurate;
- (ii) is capable of being easily understood by consumers;
- (iii) does not name or otherwise show preference to or discrimination against any gas supplier;
- (iv) does not mislead consumers to whom it is directed and is otherwise fair and accurate both in terms of its content and its presentation.

2.7A.4 The Relevant Matters

The relevant matters are:

- (a) the establishment and implementation of procedures for the selection of staff or other representatives who are employed or engaged in roles which involve or are likely to involve communication with consumers for the purpose of the Licensee's marketing activities;
- (b) the provision or procurement of appropriate training for staff or other representatives who will or are likely to communicate with consumers for the purpose of the Licensee's marketing activities, which training shall at least include training about the role, position and obligations of the Licensee as a gas distributor in respect of the Northern Ireland gas sector and about the Licensee's obligations under this Condition; and
- (c) the establishment and implementation of procedures for the written approval, by a senior officer of the Licensee, that such information as is referred to in paragraph 2.7A.4(b) is compliant with the relevant objectives set out in paragraph 2.7A.3.

2.7A.5 [not used]

2.7A.6 [not used]

2.7A.7 [not used]

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2.7A.8 [not used]

2.7A.9 [not used]

2.7A.10 [not used]

2.7A.11 [not used]

2.7A.12 [not used]

2.7A.13 This Condition is subject to Condition 2.9B: Preparation, Revision Of and Compliance with Codes of Practice.

Condition 2.8: Emergency Services and Obligations

2.8.1 Emergency telephone service

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

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

2.8.2 Prevention of gas escapes

Where any gas escapes from the Network the Licensee shall, as soon as reasonably practicable of being informed of the escape, attend the place where gas is escaping and the Licensee shall take all necessary steps to prevent an escape of gas from any part of the Network or otherwise in any premises within 12 hours of receiving a report of such an escape (or of earlier becoming aware of the same); and subject to Condition 2.8.3, the Licensee shall make arrangements whereby, in preventing an escape of gas in any premises to which it conveys gas:

- (a) the prevention is effected, so far as it is reasonably practicable and safe to do so:
 - (i) in such a way as to maintain the supply of gas to those premises and to appliances designed for use by domestic consumers for heating or cooking;

- (ii) by carrying out any appropriate minor appliance repairs; and
 - (iii) by a person adequately trained in recognising the signs of leakage of carbon monoxide and instructed to report any such signs to the owner or occupier of the premises; and
- (b) if further repair work is required, information is given to the owner or occupier of the premises or, in their absence, left at the premises as to persons in the locality who are permitted pursuant to regulations under the Health and Safety at Work (Northern Ireland) Order 1978 to perform repairs on gas fittings.

2.8.3 Carrying out of work

Nothing in Condition 2.8.2 shall oblige the Licensee to carry out any work which cannot be completed within 30 minutes of entering the premises for the purpose of preventing the escape or would use materials costing more than £4.00 adjusted annually in line with the retail price index from September 1996.

2.8.4 Special arrangements for pensioners, etc

Unless it has already done so, the Licensee shall make arrangements whereby, so far as is reasonably practicable, the occupier of any premises to which gas is conveyed by the Licensee who:

- (a) is a domestic consumer;
- (b) is chronically sick, disabled or of pensionable age;
- (c) does not share the occupancy of the premises with any person who is not chronically sick, disabled or of pensionable age or a minor; and
- (d) is included in the list of domestic consumers information in respect of which has been provided to the Licensee by any other gas supplier under the conditions of that party's licence or exemption;

is not deprived of adequate heating and cooking facilities where the conveyance of gas to those premises has been disconnected for the purpose of averting danger to life or property.

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2.8.5 Modification of arrangements

The Licensee shall maintain the arrangements made by it in relation to the matters referred to in Condition 2.8.4, with such modifications to which the Authority consents.

2.8.6 Application of Condition 2.8.7

Condition 2.8.7 shall apply in relation to:

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

2.8.7 Priority for maintenance of supply

Where the Licensee considers that, for reasons of safety (unrelated to particular premises or a particular locality), the supply of gas to any non-domestic consumer to whom this Condition applies or the conveyance of gas to their premises needs to be interrupted, reduced or restricted, it shall, so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety when interrupting or restricting the conveyance of gas, give priority to the maintenance of the supply of gas to consumers on the priority list required by Condition 2.8.9 and the conveyance of gas to their premises.

2.8.8 Consultation with the Department

Where the reasons of safety referred to in Condition 2.8.7 relate to the whole or a substantial part of Northern Ireland or there is a significant shortage of gas affecting the whole or a substantial part of Northern Ireland, the Licensee shall consult with the Department on the taking of any such steps as are mentioned in Condition 2.8.7 (a) or (b) and, so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety, shall do so before taking any such steps.

2.8.9 Priority List

The Licensee shall:

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

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

2.8.10 Determination by the Department

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

2.8.11 Definition

In this Condition 2.7

“relevant persons” means all persons that undertake in Northern
Ireland the activities specified in Article 6(1)(a) of
the Order.

Condition 2.8A: Complaints Handling Procedure

2.8A.1 Requirement to Prepare etc. a Code

The Licensee shall, no later than three months after this Condition takes effect or such later date as the Authority directs, prepare, submit to and have approved by the Authority a code of practice for the handling of consumer complaints (the **Code**).

2.8A.2 The Code

The Code shall include arrangements by which the Licensee will establish and operate an accessible, equitable and transparent, simple and inexpensive complaints procedure which shall enable any person ~~who is connected to or requests a connection to the Licensee's Network~~ to bring and have promptly dealt with any complaint he may have in respect of the Licensee's activities ~~in providing such a connection~~.

2.8A.3 Minimum Requirements

The complaints procedure established and operated by the Licensee in accordance with the Code shall as a minimum:

- (a) specify the period, which may differ for different types of complaint but which shall not be longer than three months, within which it is intended that complaints will be processed and resolved;
- (b) be made available to any person without charge; and
- (c) facilitate the fair and prompt settlement of complaints and disputes.

2.8A.4 [not used]

2.8A.5 [not used]

2.8A.6 [not used]

2.8A.7 [not used]

2.8A.8 [not used]

2.8A.9 [not used]

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2.8A.10 [not used]

2.8A.11 [not used]

2.8A.12 This Condition is subject to Condition 2.9B: Preparation, Revision Of and Compliance with Codes of Practice.

Condition 2.9: Standards of Performance

2.9.1 Licensee to take steps for the achievement of performance standards

The Licensee shall establish, unless it has done so before the coming into effect of this licence, and shall diligently take all reasonable steps for the achievement of standards of performance ("the established standards") relating to:

- (a) the connection of the premises of domestic consumers to be supplied with gas to the Network and the maintenance of such connections;
- (b) the arrangements made under Condition 2.8.4;
- (c) the prevention of escapes of gas in or into the premises of domestic consumers.

2.9.2 Visits to premises, etc

The established standards shall, in particular:

- (a) govern the making of visits to premises and the response to complaints and enquiries made in person, by telephone, in writing or otherwise in respect of the matters specified in Condition 2.9.1; and
- (b) take into account the interests of those who are chronically sick, disabled or of pensionable age.

2.9.3 Report to Authority and General Consumer Council

As soon as is reasonably practicable after the end of each year ending on 31 December, the Licensee shall submit to the Authority and General Consumer Council a report dealing with the matters mentioned in Conditions 2.9.1 and 2.9.2 which shall include a comparison of the Licensee's performance against the established standards in relation to that year and shall:

- (a) make public the report so submitted in such manner as will in the reasonable opinion of the Licensee secure adequate publicity for it; and

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(b) send a copy of it free of charge to any person requesting one

except that, in performing the obligations under Conditions 2.9.3(a) and (b), the Licensee shall ensure that individual consumers cannot readily be identified except where they have consented.

Condition 2.9A: Consumer Information Code

2.9A.1 Requirement to Prepare etc. a Code

The Licensee shall, no later than three months after this Condition takes effect or such later date as the Authority directs prepare, submit to, and have approved by the Authority a code of practice to be known as the Consumer Information Code.

2.9A.2 The Code

The Consumer Information Code shall:

- (a) be designed to facilitate achievement of the relevant objectives set out in paragraph 2.9A.3; and
- (b) make provision relating to the relevant matters set out in paragraph 2.9A.4.

2.9A.3 The Relevant Objectives

The relevant objectives are that:

- (a) consumers are on a regular basis provided with and have regular access to information about:
 - (i) the Licensee's business and the services that consumers can receive or expect to receive from the Licensee; and
 - (ii) the Licensee's performance, including performance against any applicable mandatory or voluntary standards, in relation to the provision of such services; and
- (b) any information provided by the Licensee (whether in writing, by electronic display or orally) to consumers about the Licensee's business, including in particular about connections between consumers' premises and the Licensee's Network is complete, accurate, transparent and capable of being easily understood by consumers.

2.9A.4 The Relevant Matters

The relevant matters are the provision of information to consumers in relation to:

- (a) the processes and procedures which consumers need to follow in order to obtain a connection between their premises and the Licensee's network;
- (b) the standard terms and conditions governing such connections;
- (c) the handling of consumer complaints; and
- (d) the provision of contact details or other special services in the event of an emergency.

2.9A.5 Standard Form

The Licensee shall in conjunction and co-operation with every other distribution system operator ensure that the Consumer Information Code includes such content and is presented in such a format as is consistent with and comparable to the consumer information code of each such other distribution system operator.

2.9A.6 [not used]

2.9A.7 [not used]

2.9A.8 [not used]

2.9A.9 [not used]

2.9A.10 [not used]

2.9A.11 [not used]

2.9A.12 [not used]

2.9A.13 [not used]

2.9A.14 This Condition is subject to Condition 2.9B: Preparation, Revision Of and Compliance with Codes of Practice.

Condition 2.9B: Preparation, Revision Of and Compliance with Codes of Practice

- 2.9B.1 This Condition applies to any Code of Practice (**Code**) which the Licensee is, pursuant to Conditions 2.7A, 2.8A and 2.9A of this Licence, required to prepare, submit to and have approved by the Authority.
- 2.9B.2 The Licensee shall, before submitting any Code to the Authority for its approval, consult the General Consumer Council and shall consider any representations made by it about the Code or the manner in which it is likely to be operated.
- 2.9B.3 The Licensee shall:
- (a) whenever requested to do so by the Authority; and
 - (b) where the request relates to the Distribution Marketing Code, in conjunction with all other distribution system operators,
- review the relevant Code to which the request relates and the manner in which it has been operated, with a view to determining whether any modification should be made to that Code or to the manner of its operation.
- 2.9B.4 In carrying out any review under paragraph 2.9B.3 the Licensee shall consult the General Consumer Council and shall consider any representations made by it about the Code or the manner in which it is likely to be or has been operated.
- 2.9B.5 The Authority, following consultation with the Licensee, the General Consumer Council, any other person who in the opinion of the Authority is likely to be interested or affected, may
- (a) direct the Licensee to make such modifications to any Code as the Authority considers are necessary or expedient to meet the relevant objectives of that Code;
 - (b) from time to time make such modifications to Conditions 2.7A, 2.8A and 2.9A, as the Authority considers are necessary or expedient.
- 2.9B.6 Where the Authority modifies a Condition in accordance with paragraph 2.9B.5(b):
- (a) it shall:

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- (i) send a copy of the modification to the Licensee and the Department;
- (ii) publish a copy of the modification in such manner as it considers appropriate for the purpose of bringing it to the attention of persons likely to be affected by the making of the modification; and
- (b) the Licensee shall revise the Code to which the modification relates in such manner and to such extent as is required to ensure that the Code reflects and complies with the modified Condition.

2.9B.7 Where the Licensee revises a Code:

- (a) in accordance with paragraph 2.9B.6(b) above;
- (b) following a review undertaken in accordance with paragraphs 2.9B.3 and 2.9B.4; or
- (c) following a direction from the Authority under paragraph 2.9B.5(a),

it shall submit the revised Code to, and have it approved by, the Authority.

2.9B.8 The Licensee shall as:

- (a) soon as practicable following the Authority's approval of a Code (including following a revision):
 - (i) send a copy of the Code to the Authority and the General Consumer Council; and
 - (ii) draw the attention of its consumers to the Code and of how they may inspect or obtain a copy of it;
- (b) publish on and make readily accessible from its website a copy of the Code;
- (c) give or send free of charge a copy of the Code (as from time to time revised) to any person who requests it; and
- (d) make available to members of the public, in such form and in such manner as the Authority considers appropriate, information published by the Authority pursuant to Article 7 of the Energy Order.

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- 2.9B.9 Subject to paragraph 2.9B.11, the Licensee shall comply with each Code to which this Condition applies and which has been approved by the Authority.
- 2.9B.10 The Licensee shall provide the Authority with all assistance reasonably necessary to enable the Authority to monitor the implementation and operation of any Code and this assistance shall include providing statistical data at such times and in such a format as the Authority reasonably requires and permitting the Authority access to relevant documentation held by the Licensee.
- 2.9B.11 The Authority may (following consultation with the Licensee, and in the case of the Distribution Marketing Code, other distribution system operators) issue directions relieving the Licensee of any of its obligations under Conditions 2.7A, 2.8A and 2.9A and this Condition to such extent as may be specified in those directions and subject to such terms and conditions as the Authority thinks fit.

Condition 2.10: Maintenance of Records

2.10.1 Recorded information

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

- (a) every premises and pipe-line system to which gas has been conveyed by means of the Network during the relevant period;
- (b) every third party who has arranged with the Licensee for gas to be conveyed by means of the Network at any place referred to in Condition 2.10.1(a) during the relevant period;
- (c) insofar as the Licensee has been furnished with the information, in respect of each premises referred to in Condition 2.10.1(a) every gas supplier who has supplied during the relevant period gas which has been conveyed to those premises by means of the Network;
- (d) insofar as the Licensee has been furnished with the information, the ownership of every meter first installed after the outlet of the final control valve of the service pipe at any premises referred to in Condition 2.10.1(a) for ascertaining the quantity of gas conveyed to the premises by means of that system during the relevant period;
- (e) any information contained in a notice given to the Licensee under any regulations made by the Authority under Article 22 of the Order during the relevant period; and
- (f) any information which has been provided to the Licensee by any other licence or exemption holder whether directly or indirectly pursuant to the conditions of his licence or exemption.

2.10.2 Additional definition

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

Condition 2.11: Powers of Licensee under Article 13 of the Order

2.11.1 The provisions of:

- (a) Schedule 2; and
- (b) Schedule 3;

of the Order shall apply to the Licensee.

Condition 2.12: Network Forecasts

2.12.1 Network Forecasts

The Licensee shall comply with a direction given by the Authority to prepare a statement in such form as may be specified in the direction giving, for the year commencing with the twelfth anniversary of this licence coming into force and each year thereafter, with respect to each of the 10 succeeding years for the remaining term of this licence such information as to forecasts of:

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

as will assist a person seeking to connect a pipe-line of his to the Network or enter into arrangements for the conveyance of gas in identifying and evaluating the opportunities for so doing.

2.12.2 Revised Network forecasts

Except in so far as the Authority consents to the Licensee not doing so, the Licensee shall, on an annual basis, prepare a revision of any statement prepared under Condition 2.12.1 so as to ensure that, so far as reasonably practicable, the information in the revised statement is up to date.

2.12.3 Provision and publication of forecasts

The Licensee shall, subject to any requirement to comply as is appropriate with the listing rules (within the meaning of Part IV of the Financial Services Act 1986) of the Stock Exchange and with Condition 2.12.4:

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- (a) furnish the Authority with a copy of the statement prepared under Condition 2.12.1 and of each revision of the statement prepared under Condition 2.12.2;
- (b) in such form and manner as the Authority may direct, publish a description of the statement and of each revision; and
- (c) send a copy of the statement and of each revision to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct.

2.12.4 Particular interests

In complying with the requirements of Condition 2.12.3 (b) and (c), the Licensee shall have regard to the need for excluding, so far as practicable:

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

2.12.5 Determination by Authority of particular interests

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

Condition 2.12A: Forecasting Party Agreement

General Duty

2.12A.1 The Licensee shall, in conjunction and co-operation with all other distribution system operators and the Forecasting Party, prepare, enter into, maintain in force and comply with, an agreement that:

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

(the **Forecasting Party Agreement**).

2.12A.2 The relevant objectives are:

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

2.12A.3 The relevant matters are:

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

2.12A.4 The Forecasting Party Agreement:

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

2.12A.5 The Licensee:

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

Review of the Agreement

2.12A.6 The Licensee shall, periodically, or at any time on the receipt of a request from the Authority to do so, review in conjunction and cooperation with all other distribution system operators and the Forecasting Party, the Forecasting Party Agreement and its implementation to:

- (a) ensure that it meets the requirements of this Condition 2.12A; and
- (b) to consider whether any alternative agreement would better achieve those requirements.

2.12A.7 Following any such review, the Licensee shall, in conjunction with all other distribution system operators and the Forecasting Party, send to the Authority:

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

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

Revision of the Agreement

2.12A.8 Any revision to the Forecasting Party Agreement that is agreed by the parties shall require the Authority's approval before it may be made.

2.12A.9 The Licensee shall procure that no modification, amendment or variation is made to the Forecasting Party Agreement without the prior approval of the Authority.

Definitions

2.12A.10 In this Condition:

| | |
|--------------------------------|---|
| EU Regulation | means Commission Regulation (EU) No. 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks. |
| Forecasting Party | means Premier Transmission Limited, the legal entity designated by the Authority on 17 September 2015 as the forecasting party for the Northern Ireland balancing zone, pursuant to Article 39(5) of the EU Regulation. |
| Forecasting Party Network Code | The Premier Transmission Limited Transportation Code |
| Network User | Any party holding a Gas Supply Licence who is a signatory to the Premier Transmission Limited Transportation Code |
| Non Daily Metered Offtake | Has the meaning given to that term in Commission Regulation (EU) No. 312/2014 |

Condition 2.13 Exit Capacity Booking

2.13.1 Licensee to maintain conveyance arrangements

Unless the Authority otherwise directs, the Licensee shall in respect of each Gas Year hold rights, in respect of use by the Licensee of Exit Capacity on the pipeline system of Other Network Operators, where such rights are available to the Licensee pursuant to and in accordance with the arrangements made by the Network Operators for such purposes, that are at least equal to the Forecast Network Exit Capacity Requirement.

2.13.2 Forecast Network Exit Capacity Requirement Definition

Forecast Network Exit Capacity Requirement means the amount of Exit Capacity required to ensure that sufficient gas can be conveyed to meet daily firm demand from Network Consumers, which having regard to historical weather and other data derived from at least the previous 50 years and to representations made by Gas Suppliers in accordance with the procedures set out at Condition 2.13.3, is likely to be exceeded only in 1 year out of 20 years

2.13.3 Annual Consultation

Unless the Authority otherwise directs;

- (a) no later than 21st February thereafter, the Licensee shall publish a draft statement of its best estimate of Forecast Network Exit Capacity Requirement in the following Gas Year which, having regard to historical weather and other data from at least the previous 50 years, is likely to be exceeded only in 1 year out of 20 years in such form and manner as the Authority may direct and send a copy of the statement to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct; and
- (b) no later than 21st March thereafter, the Licensee shall publish a final statement of the matters referred to in Condition 2.13.3(a) above, having regard, in addition to the considerations referred to in that Condition, to any representations received by it within 21 days of the publication of the draft statement.

Additional Definitions

In this Condition:

| | |
|---------------------------|--|
| “daily firm demand” | means the peak aggregate daily demand for gas by Network Consumers from time to time which might reasonably be expected after the supply of gas to each such consumer had been interrupted or reduced to the extent that is permitted under any contract between that consumer and its Gas Supplier; |
| “day” | means a period beginning at 05:00 on one day and ending immediately before 05:00 on the following day and “daily” shall be construed accordingly; and |
| “Network Consumers” | means all those persons located within the Licensed Area who are supplied with gas from the Network; and |
| “Other Network Operators” | means a person licensed to convey gas under Article 8(1)(a) of the Order or exempted from the requirement to be licensed to convey gas under Article 7(1) of the Order, other than the Licensee |
| “Gas Year” | means the period of time beginning at 05:00 hours on 1 st October in any calendar year and ending at 05:00 hours on 1 st October in the next succeeding calendar year; |
| “Exit Capacity” | means the capacity of a pipeline system which is treated as being utilised when a quantity of gas is offtaken from that system at a system exit point. |

Condition 2.14 System Operator Designation

2.14.1 Distribution system operator

In accordance with Article 24 of Directive 2009/73/EC, the Licensee is designated as distribution system operator in respect of the Network.

2.14.2 Definition

In this Condition 2.14:

“Directive 2009/73/EC” means Directive 2009/73/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC.

Condition 2.15: Asset Management

2.15.1 Asset Management System

The Licensee shall:

- (a) establish and implement an appropriate asset management system which is designed to ensure that it makes robust, evidence-based decisions in relation to the development, construction, operation and maintenance of the Network; and
- (b) demonstrate to the Authority that it has done so.

2.15.2 Duties in relation to the Asset Management System

For the purposes of Condition 2.15.1, the Licensee shall:

- (a) carry out an initial assessment of:
 - (i) its proposed asset management system by reference to a recognised asset management methodology;
 - (ii) the data it uses in order to prioritise asset management interventions in relation to the Network and estimate the level of capital and operational investment required in the medium-term and long-term future.

and shall provide a report to the Authority on the outcome of the assessment;
- (b) prepare a plan to improve its asset management capability in the light of that assessment, which shall in particular set out:
 - (i) how it proposes to address any identified weaknesses in its existing asset management capability;
 - (ii) the additional or better-quality data needed by it to improve its existing asset management capability;
 - (iii) the timescales within which it intends to address such identified

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weaknesses and obtain such data,

and shall provide a report to the Authority a copy of that plan;

- (c) from time to time review and update that plan and provide the Authority with a copy of the updated version;
- (d) identify such further work as would be required in order for it to achieve excellence in asset management planning; and
- (e) in preparing any business plan for submission to the Authority in relation to a Periodic Review, demonstrate the application of its asset management system in assessing the appropriate level of asset management interventions and capital and operational investment over the period to which the plan relates.

Condition 2.16: Common Branding

2.16.1 Co-operation with other Organisations and Licensed Businesses

The Licensee shall, in conjunction and co-operation with any other person authorised by virtue of a licence granted under Article 8(1)(a) of the Order to convey gas through low pressure pipe-lines (a 'relevant licence holder') develop, implement and comply with a common branding approach in relation to the promotion of gas in Northern Ireland (the 'Common Branding Approach').

2.16.2 Common Branding Approach

The Common Branding Approach shall provide for a common approach to:

- (a) the promotion or use by the Licensee and any relevant licence holder, of any name, trade name, term, logo, sign, symbol, design or scheme for products and/or services relating to licensable activities;
- (b) any other issue relating to the promotion of gas in Northern Ireland as specified in directions issued, following consultation, by the Authority to the Licensee and any other relevant licence holder for the purposes of ensuring that such promotion of gas does not create confusion for consumers.

Condition 2.17: Common Network Tariff

2.17.1 Co-operation with System Operators

The Licensee shall in conjunction and co-operation with any other person authorised by virtue of a licence granted under Article 8(1)(a) of the Order to convey gas through low pressure pipe-lines ('relevant person') take all steps within its power to contribute to the full and timely implementation of a common low pressure network tariff in Northern Ireland.

2.17.2 Compliance with Authority Directions

The Authority may where it considers it necessary or expedient for the purposes of implementing a common low pressure network tariff in Northern Ireland, give a direction to the Licensee to take such steps as are specified or described in the direction and the Licensee shall forthwith comply with any such direction.

Condition 2.18: Reasonable and Prudent Operator

2.18.1 Reasonable and Prudent Operator

The Licensee shall:

- (a) carry out the activities authorised by this Licence; and
- (b) perform its functions with respect to the Network in such manner as it considers is best designed to secure the objectives of optimising and maintaining the capacity, functionality efficiency, reliability, availability and operational life of the Network.

acting at all times as a Reasonable and Prudent Operator.

2.18.2 Definition

In this Condition:

"Reasonable and Prudent Operator"

means a person acting in good faith with the intention of performing its obligations under the Licence and who in so doing and in the general conduct of its undertaking, exercises that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be exercised by a skilled and experienced operator complying with applicable law and engaged in the same type of undertaking and under the same or similar circumstances and conditions..

Condition 2.19: Trading with Associated Businesses

2.19.1 Prohibition of Cross-Subsidies

The Licensee shall procure that no Separate Business gives any cross-subsidy to, or receives any cross-subsidy, from any other business of the Licensee or of any affiliate or related undertaking of the Licensee (whether or not a Separate Business).

2.19.2 Contractual Arrangements

The Licensee shall ensure that:

- (a) any tender issued by or on behalf of Licensee in respect of goods and/or services to be provided to the Licensed Business includes a condition requiring the tenderer to declare whether or not it is an affiliate or related undertaking of the Licensee; and
- (b) any contract entered, or to be entered, into by the Licensee for the provision of goods and/or services to the Licensed Business (the 'primary contract') includes a condition requiring each counterparty to the primary contract to ensure that any sub-contract it enters into with a person for the purpose of fulfilling its obligations under the primary contract includes a condition requiring the sub-contractor to:
 - (i) declare whether or not it is an affiliate or related undertaking of the Licensee; and
 - (ii) procure such a declaration from any person with whom it enters into a contract for the purposes of fulfilling its obligations under the sub-contract.

2.19.3 Reporting

The Licensee shall in such manner and at such times as the Authority may require:

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- (a) furnish to the Authority information which will evidence the processes and procedures followed by the Licensee in undertaking any transaction of the type referred to in Condition 1.3.14; and
- (b) permit the Authority access to relevant documentation held by the Licensee in respect of any such transaction.

SCHEDULE 1

Licensed Area for the Conveyance of Gas

The Licensed Area

1.1 The Licensed Area comprises:

- (a) the districts shown for the purposes of identification only, on the map attached as Annex 1 to this Schedule 1 and more particularly described on the map approved by the Department for these purposes and deposited with the Authority or any copy of the approved map certified by the Authority as a true copy;
- (b) the areas within the boundaries of the following Electoral Wards (as falling within the district of Larne):
 - (i) Carncastle;
 - (ii) Kilwaughter;
 - (iii) Ballycarry;
 - (iv) Glenarm; and
 - (v) Glynn;
- (c) the area within the boundary of the Electoral Ward of Millisle (as falling within the district of Ards); and
- (d) the following premises:
 - (i) 26 Site 1 Boghill Road, Newtownabbey, Co. Antrim, BT36 4QS;
 - (ii) Tarmac Northern Ltd, 40a Boghill Road, Newtownabbey, Co. Antrim, BT36 4QS;
 - (iii) Ballyearl Sports Centre, Doagh Road, Newtownabbey, Co. Antrim;
 - (iv) Ashers Baking Co, 581 Doagh Road, Newtownabbey, Co. Antrim,

BT36 5RZ;

- (v) 583, Doagh Road, Newtownabbey, Co. Antrim BT36 5RZ;
- (vi) Miles Ash Ltd, 576 Doagh Road, Newtownabbey, Co. Antrim BT36 5BU;
- (vii) Newtownabbey Council Depot, 570 Doagh Road, BT36 5BU; and
- (viii) 50 Carnmoney Road North.
- (e) The area within the boundaries of each of the electoral wards of Comber North, Comber South, Comber West, Comber East and Lisbane.
- (f) The area within the boundaries of each of the electoral wards of Moneyreagh, Ballinderry, Ballygowan, Ballymacbrennan, Maze, Saintfield, Hillsborough, Derryboy, Kilmore, Dromara, Quilly, Dromore North, Ballymaglave, Ballynahinch East, Dromore South, Dunmore, Crossgar, Drumaness, Strangford, Quoile, Seaforde, Audleys Acre, Castlewellan, Cathedral, Ballymote, Ardglass, Killough, Dundrum, Tollymore, Murlough, Shimna and Donard.
- (g) The land in on or over which pipelines are situated for the purpose of conveying gas to wards specified in paragraph 1.1(f).

1.2 The Licensed Area shall also comprise:

- (a) the land in on or over which pipe-lines are situated for the purpose of conveying gas to the premises listed in paragraph 1.1(d) above;
- (b) the premises at The Temple Quarry, 26 Ballycarnannon Road, Lisburn, BT27 6YA;
- (c) the premises at The McQuillan Quarry, 15 Sycamore Road, Budore, BT29 4JE;
- (d) the premises at The Cranmore Pet Crematorium, 45 Tullyrusk Road, Dundrod, Crumlin, BT29 4OH;
- (e) the land in on or over which The McQuillan Quarry Pipeline is situated;

- (f) the land in on or over which The Quarry Pipeline is situated;
- (g) the land in on or over which The Cranmore Pet Crematorium Pipeline is situated;
- (h) any premises which are, at any given location, situated within a 50 metre radius of either The Quarry Pipeline or The McQuillan Quarry Pipeline or The Cranmore Pet Crematorium Pipeline; and
- (i) the land in on or over which pipelines are situated for the purpose of conveying gas to premises specified in paragraph 1.2(h) above.

1.3 In paragraph 1.2:

“The Quarry Pipeline” means the distribution pipeline of the Licensee which pipeline follows the route of the A24 (as proceeding South from the boundary of the area described in 1.1(a) above) and continuing South along the A24 to the junction of the Carr Road, continuing North-West along the Carr Road to the junction with the B178, continuing South-West along the B178 to the junction with the Ballycarngannon Road and continuing south along the Ballcarngannon Road to (and terminating at) the premises specified in paragraph 1.2(b) above.

“The McQuillan Quarry Pipeline” means the distribution pipeline of the Licensee which pipeline follows the route of the Upper Springfield Road, Divis Road, Tornaroy Road, Wheelers Road, Tornagrough Road, Tullyrusk Road and continuing along the Sycamore Road to (and terminating at) the premises specified in 1.2(c) above.

“The Cranmore Pet Crematorium Pipeline” means the distribution pipeline of the Licensee which pipeline follows the route from the junction of Budore Road and Tullyrusk Road, continuing along the Tullyrusk Road to (and terminating at) the premises specified in 1.2(d)

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above.

- 1.4 In this Schedule any reference to an electoral ward is a reference to that ward as constituted under the Local Government Boundaries Order (Northern Ireland) 1992.



SCHEDULE 2

Premises to Which Gas May Be Supplied

NOT USED

SCHEDULE 3

Right of Department to Revoke Licence

1. **Circumstances allowing revocation**

The Department may at any time revoke this Licence Document by not less than 30 days' notice to the Licensee:

- (a) if the Licensee agrees in writing with the Department that such licence should be revoked; or
- (b) if any amount payable under Condition 1.14 in relation to such licence is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Department has given the Licensee notice that the payment is overdue provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable becomes due; or
- (c) if the Licensee fails to comply with a Final Order (within the meaning of Article 42 of the Energy Order) or with a Provisional Order (within the meaning of Article 42 of the Energy Order) which has been confirmed under Article 42 of the Energy Order and which (in either case) has been made in respect of a contravention or apprehended contravention of a condition to which such licence is subject or of a “relevant requirement” as defined in Article 41(2)(b) of the Energy Order and such failure is not rectified to the satisfaction of the Department within three months after the Department has given notice of such failure to the Licensee, provided that no such notice shall be given by the Department before the expiration of the period within which an application under Article 44 of the Energy Order could be made questioning the validity of the Final or Provisional Order or before the proceedings relating to any such application are finally determined; or
- (d) if the Licensee fails to pay any financial penalty (within the meaning of Article 45 of the Energy Order) imposed in respect of a contravention or apprehended contravention of a condition to which such licence is subject or of a “relevant requirement” as defined in Article 41(2)(b) of the Energy Order by the due date for such payment and such payment is not made to the Authority within three

months after the Department has given notice in writing of such failure to the Licensee, provided that no such notice shall be given by the Department before the expiration of the period within which an application under Article 49 of the Energy Order could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined; or

- (e) if the Licensee fails to comply with any order made by the Secretary of State under Sections 56 or 73 of the Fair Trading Act 1973 or Section 10(2)(a) of the Competition Act 1980; or
- (f) if the Licensee:
 - (i) is unable to pay its debts (within the meaning of Article 103(1) or (2) of the Insolvency (Northern Ireland) Order 1989, but subject to Paragraph 4 of this Schedule 3) or if any voluntary arrangement is proposed in relation to it under Article 14 of that Order or if it enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Department); or
 - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of Article 5(1) of the Insolvency (Northern Ireland) Order 1989) of the whole or any material part of its assets or undertaking appointed; or
 - (iii) has an administration order under Article 21 of the Insolvency (Northern Ireland) Order 1989 made in relation to it; or
 - (iv) passes any resolution for winding up other than a resolution previously approved in writing by the Department; or
 - (v) becomes subject to an order for winding up by a court of competent jurisdiction; or
- (g) if at any time prior to the date six months following the Grant of the licence the Licensee intentionally or recklessly fails to notify the Department of any

change in ownership of the equity capital of the Licensee as soon as practicable after such change should have occurred; or there has been a change in ownership of equity capital notified by the Licensee:

- (i) the Department is satisfied that the new shareholder (together with the other companies in its group) does not have adequate technical, financial or managerial strength taking into account the size of its shareholding in the Licensee;
 - (ii) the Department serves notice on the Licensee stating that it proposes to revoke the licence in pursuance of this paragraph unless such further change in the ownership of the Licensee as is specified in the notice takes place (or ownership reverts to the person or those persons owning the equity capital of the Licensee prior to the change) within the period of three months beginning with the date of service of the notice; and
 - (iii) that further change or reversion in control does not take place within that period; or
- (h) if at any time the Licensee intentionally or recklessly fails to notify the Department of a change in control as soon as practicable after such change in control should have occurred; or there has been a change in control notified by the Licensee:
- (i) the Department serves notice on the Licensee stating that the Department proposes to revoke the licence in pursuance of this paragraph unless such further change in control of the Licensee as is specified in the notice takes place (or control reverts to the person(s) controlling the Licensee prior to the change) within the period of three months beginning with the date of service of the notice; and
 - (ii) that further change or reversion in control does not take place within that period; or

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- (i) if the Licensee is convicted of having committed an offence under Article 46 of the Order or under Article 63 of the Electricity (Northern Ireland) Order 1992.

2. Revocation if Licensee ceases to carry on the licensed business

The Department may at any time by not less than 30 days notice to the Licensee, revoke the licence granted under paragraph 1(a) of the Grant if the Licensee has not commenced carrying on its business in the conveyance of gas by 30th June, 1997 or thereafter ceases for a period of 3 months to carry on its business in the conveyance of gas, and in relation to any date or period given in this paragraph 2 the Department shall substitute a later date or a longer period where reasonably satisfied that exceptional circumstances which could not have been reasonably foreseen by the Licensee had prevented, or could reasonably be expected to prevent, the carrying on of the relevant business.

3. Revocation of licence if Licensee does not have title in assets of business

- (a) The Licensee shall acquire ownership of the relevant assets (as the same are defined in Condition 1.13.6), required for the conduct of the licensed activity and save as is permitted under Conditions 1.12 and 1.13, if the Licensee does not have ownership of the relevant assets required for the conduct of the licensed activity under this Licence Document, then the Department may at any time by not less than 30 days' notice to the Licensee revoke the licence.
- (b) For the purposes of this paragraph 3 of this Schedule 3 the Licensee shall own a relevant asset if it could not otherwise be treated as having been disposed of (as disposal is defined in Condition 1.13.7).

4. Licensee's deemed ability to pay its debts

- (a) For the purposes of paragraph 1(f)(i) of this Schedule 3, Article 103(1)(a) of the Insolvency (Northern Ireland) Order 1989 shall have effect as if for "£750" there was substituted "£250,000" or such higher figure as the Department may from time to time determine by notice in writing to the Licensee.

- (b) The Licensee shall not be deemed to be unable to pay its debts for the purposes of paragraph 1(f)(i) of this Schedule 3 if any such demand as is mentioned in Article 103(1)(a) of the Insolvency (Northern Ireland) Order 1989 is being contested in good faith by the Licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Department under paragraph 1 of this Schedule 3.

5. Additional definition

For the purposes of paragraph 1(h) of this Schedule 3, there is a change in the control of the Licensee whenever a person obtains control of the Licensee who did not have control of the Licensee when this licence was granted; and sub-sections (2) and (4) to (6) of Section 416 of the Income and Corporation Taxes Act 1988 shall apply for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, but at any time should no person have control then for the words "the greater part" wherever they occur in the said sub-section (2) there shall be substituted the words "one-third or more".

SCHEDULE 4

Licensee's Development Plan

1. **Development of the Network**

The Licensee shall act to develop the Network and each element of the Network with all reasonable diligence so as to have installed and brought in to operation:

(a) no later than the twelfth anniversary of the Grant a system of distribution pipelines readily capable of serving all reasonable demands for the offtake of gas in the districts set out in Annex 1 to this Schedule 4, and

(b) no later than 31st December 2022 a system of distribution pipelines readily capable of serving all reasonable demands for the offtake of gas in the areas set out in Annex 3 to this Schedule 4;

and in any event:

(ac) the Licensee shall commence the installation of distribution pipe-lines in each district no later than the infill start date for that district shown in Annex 1 to this Schedule 4;

(bd) the Licensee shall subject to sub-paragraphs (dh) and (ej) below instal and bring into operation or make readily capable of being brought into operation distribution pipe-lines such that not less than ninety per cent of premises then in a district may be readily connected to the Network no later than the infill date for that district, which shall be a date five years after the infill start date for that district shown in Annex 1 to this Schedule 4;

(ee) the Licensee shall subject to sub-paragraphs (dh) and (ej) below instal and bring into operation or make readily capable of being brought into operation distribution pipe-lines such that not less than ninety per cent of the cumulative annual total number of premises (excluding Larne) in the Licensed Area in any year shown in Annex 1 to this Schedule 4 may be readily connected to the Network by the end of that year for each year commencing on 1st January 1997 and ending on the 31st December 2008;

- (f) the Licensee shall install and bring into operation (or make readily capable of being brought into operation) distribution pipe-lines such that, in respect of any area and each calendar year, the number of premises that are readily connected by the end of that calendar year is equal to or greater than 50% of the annual cumulative target shown in Annex 3 to this Schedule 4 for that area and that year;
- (g) the Licensee shall install and bring into operation (or make readily capable of being brought into operation) distribution pipe-lines such that, in respect of each calendar year, the aggregate number of premises in all the areas that are readily connected by the end of that calendar year is equal to or greater than 90% of the cumulative target shown in Annex 3 to this Schedule 4 for that year;
- ~~(dh)~~ in determining whether the Licensee has succeeded in its obligations under sub-paragraphs ~~(bd)~~ and ~~(ee)~~ above there shall be excluded from the number of occupied premises in the district or the Licensed Area as the case may be the number of such premises owned by the Northern Ireland Housing Executive (the "Executive") or any housing association in Northern Ireland, which had not by the end of the relevant period been adapted for the consumption of gas in the relevant district or Licensed Area as the case may be, and which the Licensee had been advised by the Executive and/or a housing association would not be so adapted;
- ~~(ei)~~ in further determining whether the Licensee has succeeded in its obligations under sub-paragraphs ~~(bd)~~ and ~~(ee)~~ above the Licensee shall be treated as having fulfilled its obligation if it had succeeded in respect of all but ten (or less) per cent of the stated percentage of numbers of premises identified by those sub-paragraphs; and
- ~~(fi)~~ where the Licensee has not succeeded in making the number of premises provided for in paragraph ~~(ee)~~ above readily connectable to the Network in any year, then for the purposes of Condition 2.2.3(a) the Licensee may cease to be exclusively entitled to convey gas in those districts in which in that year it did

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not make readily connectable the number of premises indicated in Annex 1 to this Schedule 4;

and for the purposes of this Licence Document:

(~~ek~~) the Licensee's obligations under sub-paragraphs (~~ac~~), (~~bd~~) ~~or~~ (~~ee~~), (f) or (g) may otherwise be referred to as development targets; and

(~~hl~~) the Licensee shall be deemed to have installed and brought into operation a system of distribution pipe-lines readily capable of serving all reasonable demands for the offtake of gas in the districts set out in Annex 1 to this Schedule 4 and all the areas set out in Annex 3 to this Schedule 4 if it has met all its development targets.

2. **Development of the Market**

The Licensee shall act to encourage the rapid and extensive development of the market for gas supplies in the Licensed Area.

3. **Revising the Licensee's Obligations to Develop the Network**

At the request of the Licensee the Authority shall revise any date referred to in paragraph 1(~~ac~~), (~~bd~~) or (~~ee~~) of this Schedule 4 to a later date reasonably appropriate in all the circumstances:

3.1 if it is reasonably satisfied that exceptional circumstances which could not have been reasonably foreseen by the Licensee had prevented, or could reasonably be expected to prevent, the Licensee in achieving the installation and bringing into operation of the relevant pipe-line(s);

3.2 as the Licensee and Authority may agree and in respect of any infill start date the Authority may not withhold its agreement to revising that date for a later date provided that another district or other districts with a similar or greater number of occupied premises in aggregate with later infill start dates have those dates revised to no later than the original infill start date for the first district; or

3.3 if it is reasonably satisfied that by reasons of statutory process that could not have reasonably been further expedited or avoided by the Licensee, the Licensee had been delayed in installing and bringing into operation the relevant pipe-lines.

and for the purpose of sub-paragraph 3.1 above exceptional circumstances shall not include the availability of funds to the Licensee whether or not foreseeable.

4. **General Development Plan**

Without prejudice to the generality of the foregoing provisions of this Licence Document the Licensee shall in good faith pursue the general objectives of the General Development Plan set out in Annex 2 to this Schedule 4.

5. **Additional Definitions**

Readily connected in relation to premises means premises whose curtilage is within 50 metres of a distribution pipe-line.

6. **Revision of dates**

Where by virtue of the provisions of this Schedule 4 any date is revised then the revised date shall be applied for the purposes of this Licence Document.

SCHEDULE 4

ANNEX 1

Premises in Licensed Area

| District Number | District Name | | | | | | | | | | | | | |
|-----------------|----------------------|-------|-------|-------|-------|-------|-------|------|------|------|------|------|------|-------|
| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 1 | Carrickfergus | | | 2391* | 2293 | 1639 | 1317 | 1870 | | | | | | 9510 |
| 2 | Newtownabbey | | 3147* | 4199 | 5569 | 4248 | 199 | | | 2960 | 2961 | | | 23283 |
| 3 | North & West Belfast | 6819* | 14956 | 14741 | 13644 | 14312 | | | | | | | | 64472 |
| 4 | Duncrue | 721* | | | | | | | | | | | | 721 |
| 5 | South Belfast | 4879* | 1655 | 6342 | 6128 | 7556 | | | | | | | | 26560 |
| 6 | Lisburn | | | | | | 5338* | 5686 | 6237 | | | | | 17261 |
| 7 | East Belfast | | | | | | 9385* | 9746 | 9793 | 6759 | | | | 35683 |

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| | | | | | | | | | | | | | | |
|----|-------------------------------------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 8 | Carryduff & Castlereagh | | | | | | | | | 6577* | 5377 | 5766 | 5183 | 22903 |
| 9 | Newtownards | | | | | | | | | | 4502* | 3420 | 5069 | 12991 |
| 10 | North Down | | | | | | | 4990* | 5654 | 5655 | 6834 | 5532 | | 28665 |
| 11 | Harbour | | | | | 353* | | | | | | | | 353 |
| 12 | Larne | | 557* | 1801 | 1784 | 926 | 1038 | | | | | | | 6106 |
| | Annual Total incl Larne | 12419 | 20315 | 29474 | 29418 | 29034 | 17277 | 22292 | 21684 | 21951 | 19674 | 14718 | 10252 | 248508 |
| | Cumulative Annual Total (exc Larne) | 12419 | 32177 | 60407 | 89842 | 119734 | 136899 | 160229 | 181913 | 203864 | 223538 | 238526 | 248508 | 242402 |
| | Cumulative Annual Total (inc Larne) | 12419 | 32734 | 62208 | 91626 | 120660 | 137937 | 166229 | 181913 | 203864 | 223538 | 238526 | 248508 | 248508 |

* infill start date for the relevant district shall be no later than 31st December of that year shown in the column heading

SCHEDULE 4
ANNEX 1 (CONTINUED)

1. For the purposes of the table in this Annex 1 the numbers of premises stated are based on census and other public information available at the date of the Grant and these numbers shall be revised by the Licensee with the agreement of the Authority where more accurate information as to the numbers of occupied premises in the Licensed Area and the districts becomes available.
2. With the consent of the Authority the Licensee may revise the number of premises attributed to any district in any one year under the table in this Annex 1 and the Authority may not withhold its consent to such a revision if the cumulative total number of premises in that year shown in Table 1 remains unchanged or becomes greater.

SCHEDULE 4
ANNEX 2
Development Plan

This development plan for a natural gas industry in Northern Ireland has been prepared by the Licensee. The Licensee is at the date of the Grant a wholly owned subsidiary of British Gas plc (BG) but without prejudice to the foregoing provisions of this Licence Document it is intended that the Licensee will become a joint venture company.

The plan has been constructed based on the strengths of BG, which will be enhanced by the strengths of partners:

- benchmark standards of health, safety and care for the environment in all aspects of the gas conveyance, storage and supply (including utilisation) business.
- first class engineering skills in the design, construction, planning, operation, control and maintenance of gas transmission, storage and distribution systems.
- fuel marketing expertise in highly competitive markets including appliance retailing and customer service operations and standards.
- financial strength.
- understanding and working with the implications of long term investments and returns.
- international professional project management skills in capital intensive schemes.
- gas purchase and supply matching and contracting.
- modern metering and billing techniques.
- technical know-how in all types of gas utilisation including CHP ensuring highest thermal efficiencies and safety.
- employment and training of local employees.
- operating in a developing regulatory regime.

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- experience in comprehensive customer care charters and working with consumer organisations.
- research and technology back-up including strong links with Queens University Belfast.
- commitment to ensuring equal opportunities for all.

To these ends the Licensee will develop an efficient and economic gas industry in accordance with this plan. Natural gas will bring major benefits to Northern Ireland in terms of the environmental, local employment, energy efficiency and in providing fuel choice.

The plan takes account of the potential for supplies to consumers in other areas of the Province. It will enable gas dependent industries, ie both those providing a service to a gas industry and those industries which can only operate with gas, to be established and it will attract industries from abroad which have experience of using natural gas and for whose processes natural gas is the preferred fuel.

The plan assumes the construction initially of a new 600mm diameter high pressure pipeline from Ballylumford to Tollymore near Belfast and later an extension across to the south side of Belfast Lough. This will be used to introduce gas to the old gas distribution system throughout the Greater Belfast Area which will be refurbished on a phased basis. The Licensee intends to enter into arrangements to acquire the old system under a statutory transfer scheme made under the Gas (Northern Ireland) Order 1996.

It is intended to have the first gas flowing (subject to the granting of licences to convey and supply gas) by late 1996 to industry and commerce. Supplies to the residential sector would commence early in 1997.

1. **Introduction**

This development plan has been produced by the Licensee. The Licensee has all the skills needed to ensure an ongoing safe and economic scheme which will bring the advantages of choice, increased competition, convenience and environmental improvements to Northern Ireland energy consumers. The plan concentrates on the provision of natural gas in Greater Belfast and Larne although it does not preclude the Licensee pursuing developments elsewhere either simultaneously or in due course as the gas network expands.

2. **Company Structure**

The Licensee has been set up by BG. BG will shortly enter into joint venture arrangements with other parties. This will have the purpose of achieving the optimal development of a natural gas industry based on best managerial, operational, technical and financial practices represented by the strengths of the individual shareholders. In order to implement this development plan the Licensee has been incorporated as a private limited company in Northern Ireland. It is intended that each of the shareholders will employ and provide relevant resources to produce and implement the long term development plan for the Licensee and for the industry.

The Licensee will employ local people where possible and appropriate, while complying with Northern Ireland employment legislation. The Licensee and its contractors will provide training to ensure that all required standards are properly met.

3. **Market and Infrastructure Development**

The development of the natural gas market is based on market research and on experience of market development in similar situations in Great Britain when offering natural gas as an alternative fuel in areas outside the existing gas supply area. The rate of expansion of the pipelines is designed so as to provide system integrity and safety while meeting market needs in an optimal economic manner. The rate is capable of rapid adjustment to meet changing market needs.

4. **Organisation**

4.1 **General**

The Licensee will use best available technology and innovative arrangements with contractors and suppliers to make best use of existing and local resources to achieve the construction of a complex distribution system along with the installation of gas equipment and related services.

4.2 **Engineering Work**

Contractual arrangements have been designed to meet the operational requirements of the project in the most optimal way. The advantages of long term relationships between the contracting parties are being harnessed to allow contractor involvement at an early stage and to help in the mobilisation of both management and labour.

Wherever possible the low pressure mains and services work will be carried out by local personnel, trained to the required level of competence.

4.3 **Control and Emergency Services**

The safe operation and maintenance of the system will be the first priority of the Licensee. The system will be constantly monitored by electronic sensors at district pressure reduction sites and other key locations on the system, and the information will be relayed to a central "grid control" and emergency service site. The centre will have the responsibility of dealing with gas escapes and other emergency procedures.

Whilst the majority of this work will be carried out by fully approved contractors, a small core team of specialists will be retained to maintain essential pressure control equipment and provide support to the emergency service. Professionally qualified and experienced engineering staff will be employed to co-ordinate non-routine operations involving "live gas" remedial works and to provide a call out service when required.

4.4 **Metering**

Advanced metering systems such as the Quantum system and Automatic Meter Reading (AMR) are now in widespread use in Britain and the Licensee wishes to adopt this technology where appropriate. Quantum is a smart card system providing for payment through local Post Offices, shops, etc in advance of gas consumption. This system allows consumers to budget for their gas supplies and can minimise the occurrence of debt and reduce the need for reading visits into houses.

AMR systems are available based on the new ultrasonic meter which is much smaller than the traditional design. For these meters there will be limited need for meter reading visits although visits will still be required to respond to "flags" indicating meter tampering and other warnings such as those indicating the need to change batteries.

All systems require some specialist skills which will be provided by the Licensee for the initial installation and subsequent training of personnel for maintenance and operation.

4.5 **Domestic Customer Service**

Installation work in customers premises is a specialist area. The registration scheme for gas installers (Confederation of Registered Gas Installers CORGI) in Northern Ireland is welcomed by the Licensee to facilitate the development of a pool of contractors qualified to work on natural gas which will be used as a resource for the industry.

The arrival of CORGI in Northern Ireland, on-going work between the Licensee and local training agencies and the establishment of an Approved Installers List (AIL) will minimise the risk to the public from incompetent installers.

4.6 **Industrial and Commercial Service**

Specialist skills will be required in the industrial and commercial sectors both for installation and conversion work. Links with existing burner suppliers and equipment manufacturers will be built upon to ensure a quality service to customers which will include:

- (a) assistance in the design and installation of new plant to take advantage of the latest fuel management and gas engineering utilisation techniques;
- (b) survey of existing plant, with detailed reports and recommendations on conversion requirements and costs, likely efficiency and performance improvements and reduced maintenance and service costs;
- (c) design of plan and controls to meet the regulations and Codes of Practice applicable at the time; and
- (d) the introduction of advanced technology, and the re-design or modification of plant to improve efficiency and increase productivity.

5. **Training**

As there has been no gas industry in Northern Ireland for many years, there are limited resources readily available for natural gas related engineering and installation works. To build a successful gas industry in Northern Ireland will require a highly skilled and competent work-force. The Licensee will encourage the employment of local people and ensure that the necessary training and assessment is available. The company is in liaison with the Training and Employment Agency (TEA) and using local training providers or Colleges of Further Education in the Belfast area to provide the necessary skills training.

Construction of the distribution system will be undertaken by established gas contractors. An approved training scheme based on National Vocational Qualification Levels II/III is currently being prepared. All operatives will undergo a pre-start assessment of competence and induction training. Safety training is regarded as an integral part of the project and this will be reflected throughout the life of the project.

For engineering, established contractors will provide for assessment of personnel. A joint Society of British Gas Industries (SBGI)/CITB/BG approved training scheme is currently being planned. All teams will undergo an assessment of competence by the Licensee's management in the three main areas of gas safety, polyethylene pipe fusion and reinstatement.

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Installers will be required to be CORGI or equivalent registered. In addition those installers who wish to join the Approved Installers List (AIL) will be required to be proven competent in additional ACOP modules including energy efficiency, system controls, gas fire, and gas fire with backboiler installation. AIL installers will be assessed by the training provider eg TEA for competence including initial CORGI registration as well as the additional modules required to join the AIL. Depending on the results of this assessment further training and assessment will be undertaken.

Joint training for emergencies involving management, service and engineering personnel will be undertaken prior to gas being supplied.

SCHEDULE 4

ANNEX 3

Cumulative Properties Passed Targets within the Licensed Area Defined in Schedule 1, Paragraph 1.1(f)

| Area/Year | | | | | | | |
|--------------------------|-------------|--------------|--------------|--------------|---------------|---------------|---------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Hillsborough | - | 142 | 672 | 1,202 | 1,756 | 1,756 | 1,756 |
| Ballygowan | 639 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 |
| Ballynahinch | - | 322 | 902 | 1,482 | 2,062 | 2,733 | 2,733 |
| Annahilt | - | 66 | 217 | 379 | 379 | 379 | 379 |
| Spa | - | 28 | 190 | 190 | 190 | 190 | 190 |
| Saintfield | - | - | - | 486 | 972 | 1,506 | 1,506 |
| Crossgar | - | - | 252 | 504 | 831 | 831 | 831 |
| Drumaness | - | - | 49 | 266 | 438 | 507 | 507 |
| Downpatrick | - | - | 232 | 1,161 | 2,090 | 3,483 | 4,925 |
| Newcastle | - | - | - | 971 | 1,942 | 2,913 | 3,902 |
| Castlewellan | - | - | - | 302 | 604 | 906 | 1,217 |
| Dundrum | - | - | - | 274 | 548 | 853 | 853 |
| Dromore | - | - | - | 668 | 1,336 | 2,004 | 2,702 |
| Properties Passed | 639 | 1,680 | 3,636 | 9,007 | 14,270 | 19,183 | 22,623 |

SCHEDULE 4
ANNEX 3 (CONTINUED)

1. Premises

For the purposes of the table in this Annex 3 to Schedule 4 the numbers of premises stated refer to any domestic and non-domestic premises, excluding domestic new build premises.

2. Revising the Licensee's Obligations to Develop the Network in the Areas listed in Annex 3 to Schedule 4

- (a) The Authority may, at the request of the Licensee and as reasonably appropriate in all the circumstances, revise any number of premises stated in the table above of this Annex 3 to Schedule 4 for any area in any one year where:
- (i) the Authority is reasonably satisfied that exceptional circumstances (excluding lack of funds), which could not have been reasonably avoided by the Licensee, have prevented, or could reasonably be expected to prevent, the Licensee from complying with its obligations under paragraph 1 (b), (f), (g) and (k) of this Schedule 4; or
 - (ii) the Authority is reasonably satisfied that, due to any process required to be followed by an Applicable Law, which could not reasonably have been further expedited or avoided by the Licensee, the Licensee has been delayed in complying with its obligations under paragraph 1 of this Schedule 4;
 - (iii) the Licensee and Authority so agree.
- (b) Where by virtue of the provisions of sub-paragraph (a) above revisions are made to the number of premises stated in the table above of this Annex 3 to Schedule 4, the revised numbers shall be applied for the purposes of this Licence.

3. Definitions

In this Annex 3 to Schedule 4, unless the context otherwise requires,

| | |
|--|---|
| <u>“Applicable Law”</u> | <u>means all applicable provisions of all:</u> <u>(a) constitutions, treaties, statutes,</u> <u>laws (including the common</u> <u>law), rules, regulations,</u> <u>ordinances or codes of any</u> <u>Governmental Authority; and</u> <u>(b) orders, decisions, injunctions,</u> <u>judgments, awards and decrees</u> <u>of any Governmental Authority;</u> |
| <u>“domestic new build”</u> | <u>means domestic premises which have</u> <u>never previously been owned or</u> <u>occupied by any person (that is they</u> <u>are, or are to be, newly built premises)</u> <u>and in respect of which the connection</u> <u>to the Network shall be made prior to</u> <u>the premises first being occupied, but</u> <u>excluding any such premises which fall</u> <u>within the definition of NIHE;</u> |
| <u>“Governmental Authority”</u> | <u>means any federation, nation, state,</u> <u>sovereign or government, any federal,</u> <u>supranational, regional state or local</u> <u>political subdivision, any governmental</u> <u>or administrative body, department or</u> <u>agency, or any court, commission or</u> <u>other similar dispute resolving body,</u> <u>and any other entity exercising</u> <u>executive, legislative, judicial, or</u> |

“NIHE”

regulatory functions;

means domestic premises which are (or
will be when built) owned by:

(a) the Northern Ireland Housing
Executive; or

(b) a housing association in
Northern Ireland.

Note: (does not form part of the Licence)

Consolidated to take account of following modifications:

1. Change of incorporated name from “Belfast Gas Limited” to Phoenix Distribution (Northern Ireland) Limited” – dated 11th August 1997.
2. Licence fee modification - March 1999 - (no copy of modification letter).
3. Transmission Forecast Review Modification - Date not known.
4. EU Directive 98/30 - April 2003.
5. Energy Order 2003 Modifications - 1st set - September 2003.
6. Energy Order 2003 Modifications - 2nd set - April 2004 - (signed copy of modification letter).
7. Postalisation Modifications - October 2004 -(signed copy of modification letter).
8. Addition of Condition 2.13 and modification of Condition 2.7 – November 04 – (signed copy of modification letter).
9. Supply exclusivity extension in Schedule 2 – January 05 – (signed copy of modification letter).
10. Development Plan Targets – Annex 1 to Schedule 4 – 6 October 2005 (signed letter).
11. Licence Extension (Schedule 1) to include ‘convenience customers’ and associated modifications to Conditions 1.1.6 and to Condition 2.2 – 15 March 2006 (signed notice).
12. Modifications to Postalisation Conditions – 23 June 2006 (signed modification letter).
13. Licence Extension (re conveyance licence only) to include Temple Quarry – 5 July 2007 (signed extension letter).
14. Modifications to Condition 2.3A Conveyance Charges – 2 August 2007 (signed modification letter).
15. Licence Extension to include Comber electoral wards – 24 September 2007 (signed extension letter).
16. Licence Modifications by DETI to amend distribution-exclusivity over Temple Quarry and Comber electoral ward areas – (signed modification letter/notice from DETI) 7th November 2007.

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17. Licence Modifications to implement EU Directive 2003/55/EC – 16 November 2007 (signed modification notice).
18. Licence extension re McQuillan Quarry – 24th June 2008 – signed extension letter.
19. Change of incorporated name from “Phoenix Distribution (Northern Ireland) Limited” to “Phoenix Natural Gas Limited” – dated 24th September 2008.
20. Licence Modifications to implement EU Directive 2003/55/EC - (revocation of the Supply section (Part 3) and amend Parts 1 and 2 of Licence Document to remove references to supply and transmission. 31st March 2009.
21. Licence Modification Part 2 Condition 2.3 to replace Volume Revenue Driver with Part Fixed Revenue, Part Connections Revenue Driver _ 5th June 2009 (signed modification notice) Also minor amendment to correct year reference in condition 1.3.1.
22. Licence Modification- Addition of new Conditions 1.18 to 1.22 which provide for financial ring-fencing and corporate governance conditions. Effective date 26th June 2009.
23. February 25th 2010 - Licence Modification – condition 2.6, Provision and return of meters to remove cap on the number of prepayment meters for which the licence can recover their costs.
24. Licence extension re Cranmore Pet Crematorium – 21 March 2012 – signed extension letter.
25. Modification dated 12 September 2012 – IME3 licence amendments as a result of Directive 2009/73/EC concerning common rules for the internal market in natural gas. Licence modifications approved by DETI.
26. Licence modification of condition 1.14 Payment of fees to the Authority – September 2012.
27. Licence modifications to conditions 1.3 and 2.5 to implement further IME requirements as a result of Directive 2009/73/EC concerning common rules for the internal market in natural gas – 30 April 2013.
28. Licence modifications to conditions 2.3.13, 2.3.18 and 2.3.23 to implement PNGL12 price control decisions (following the Competition Commission’s final determination) – 11 July 2013.
29. Licence modifications to condition 2.3.22 to include the Designated Parameters contained in the 11 July 2013 Replacement Determination Notice issued to PNGL - 11 July 2013.

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30. Modification dated 28 March 2014 – Modifications to Conditions 1.4, 2.7A, 2.8A, 2.9A and insertion of Conditions 2.2A and 2.9B for the purposes of the EU Third Internal Energy Package. Licence modifications approved by DETI.
31. Licence modification to condition 2.13 consequential to the introduction of entry capacity and the new gas day. Effective date 7 August 2015 for licence changes for the introduction of entry charges and 1 October 2015 for licence changes giving effect to a change in gas day.
32. Licence modifications to conditions 1.10, 1.14, 2.2 and 2.3 to implement requirements resulting from the Gas and Electricity Licence Modification and Appeals Regulations (Northern Ireland) 2015. Licence modifications approved by DETI and effective from 4 August 2015.
33. Licence modification in respect of East Down network extension incorporating the addition of conditions 1.1(f) and 1.4 to Schedule 1 of this Licence. Effective date of 4 January 2016.
34. Licence modification to include condition 2.12A Forecasting Party Agreement. This requires the licensee to co-operate with other DNOs and the Forecasting Party to provide accurate Non Daily Metered offtake forecasts to Network Users for the purpose of minimising imbalance charges. The condition became effective from the 9 June 2016. Decision paper and notice of modifications published on 14 April 2016.
35. Licence modifications to condition 1.1 to amend the definitions of domestic and non-domestic consumer/premises and to condition 1.23 to extend the timeframe for provision of change of supplier information to the UR. These modifications became effective from 1 September 2016. Decision paper and notice of modifications published on 3 June 2016.