

**AUTHORITY SECURITY CONSENT LETTER**

To:

1. West Transmission Limited ("**WTL**") of First Floor, The Arena Building, 85 Ormeau Road, Belfast B7 1SH; and
2. SGN Commercial Services Limited ("**SGN**") of St Lawrence House, Station Approach, Horley, Surrey RH6 9HJ.

19 July 2018

Dear Sirs

**Consent to disposal of assets pursuant to Condition 1.12 of the Conveyance Licence granted to West Transmission Limited**

1. We refer to our recent discussions concerning the amendments to the collaboration arrangements which have been entered into between SGN and WTL in order to facilitate the completion of the pre-construction financing ("the **Early Financing**") of the Gas to the West project ("the **Project**").
2. We have been informed by WTL and SGN that, as part of such amendments to the collaboration arrangements, the original security that SGN has been granted over the assets of WTL by way of a share charge and debenture (to which we consented pursuant to a letter to WTL and SGN dated 5 May 2017) will be irrevocably and unconditionally released at the date of financial closing of the Early Financing.
3. We have been informed by WTL and SGN that, in partial substitution for the original security, WTL has entered into an agreement with SGN by way of a provision of the collaboration arrangements described in Part I of Schedule 1 (the "**Security Provision**") under which –


- i. to the extent that the cash raised by WTL (or a group company) as part of the Early Financing is insufficient and WTL is required to pay SGN via a three year "true-up" mechanism, SGN will have the right to require WTL to grant security over the relevant assets in the form of the debenture described in Part II of Schedule 1 (the "**Third Ranking Security**")
  - ii. the Third Ranking Security, if required, will rank behind the security granted to both the provider of the Early Financing (or any agent or security trustee that is acting on its/their behalf) and the Department for the Economy (in respect of the capital grant to be provided in relation to the Project).
4. WTL has informed us that the right under the Security Provision to require the grant of the Third Ranking Security will only become enforceable by SGN in the event that there is a shortfall in cash raised by WTL (or a group company) as part of the Early Financing and WTL is required to pay SGN via a three year "true-up" mechanism.
5. Condition 1.12 of the conveyance licence granted to WTL on 11 February 2015 (the "**WTL Licence**") provides that, subject to certain exceptions, WTL may not, without the consent of the Northern Ireland Authority for Utility Regulation (the "**Authority**"), dispose of a relevant asset or relinquish operational control over a relevant asset if the disposal or relinquishing of control would materially affect WTL's ability to discharge its obligations under the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 or the carrying on of the activities authorised or required by the WTL Licence. We consider that WTL's network assets are "relevant assets" for the purpose of Condition 1.12 of the WTL Licence.
6. Notwithstanding that WTL has confirmed to us that the entering into by WTL of the Security Provision, and any subsequent grant by it of the Third Ranking Security in accordance with the terms of the Security Provision, will not materially affect WTL's ability to discharge its obligations under the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 or the carrying on of the

**Chief Executive Office**

activities authorised or required by the WTL Licence, WTL has sought the consent of the Authority to the entering into by WTL of the Security Provision and any subsequent grant by it of the Third Ranking Security.

7. To the extent that the entering into by WTL of the Security Provision, and any subsequent grant by it of the Third Ranking Security, represents a disposal of or a relinquishment of operational control over a relevant asset having a material effect on WTL's ability to discharge its obligations under the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 or the carrying on of the activities authorised or required by the WTL Licence, the Authority hereby consents to the entry into the Security Provision and the grant of the Third Ranking Security by WTL.
8. This consent shall have effect on the date of this letter.
9. In addition, we confirm that the granting of the right created by the Security Provision, and any subsequent grant of the Third Ranking Security, will not be taken to constitute a transfer by WTL to another person of part or all of its gas conveyance business within the meaning of Condition 1.11 of the WTL Licence.
10. Terms used in this letter which are not defined herein but are defined in the WTL Licence shall have the same meaning as they have in the WTL Licence.
11. References in this letter to "we" and "us" are references to the Authority.

Yours faithfully



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For and on behalf of the Northern Ireland Authority for Utility Regulation

## SCHEDULE 1

### *Part I*

#### *The Security Provision*

1. Clause 7.4.19 of the Project Agreement between WTL and SGN dated 27 April 2017 as amended and restated on 21 June 2018 (the "**Security Provision**").

### *Part II*

#### *The Third Ranking Security*

2. A deed (entitled Third Ranking Floating Charge and also known as the True-Up Debenture) between WTL and SGN (the "**Third Ranking Security**").