

Kevin McSherry
firmus energy
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8 November 2012

Dear Kevin

Additional Development Plan (ADP) for Bushmills relating to the Electoral Wards of 95JJ09 Dunluce, 95UU04 Bushmills and 95UU02 Ballylough

Thank you for your submission of an Additional Development Plan (ADP) and supporting information to connect the Old Bushmills Distillery and other, mainly domestic connections as submitted in your plan.

We recently granted an extension to the firmus energy (Distribution) Ltd (**firmus**) Licensed Area to include the Electoral Wards of Bushmills and Ballylough. As detailed in your licence under Condition 3.1, you seek approval of the ADP for Bushmills in order that the Electoral Wards of Dunluce, Bushmills and Ballylough (which now form part of the firmus Licenced Area) may become Additional Development Areas.

We have now reviewed your submission and, based on your assumptions which we consider to be reasonable, we are satisfied that the proposed connections are economic. This is on the basis that you are committed to delivering the forecast volumes as set out in your submission.

Please therefore accept this letter as formal approval of the ADP. You now have the right to develop and operate a gas conveyance network in the Electoral Wards of Dunluce, Bushmills and Ballylough.

As defined in your licence, when an Electoral Ward becomes an Additional Development Area it becomes part of the firmus Licensed Area and the Exclusive Area. However we are granting approval of the ADP on the condition that this exclusivity will be subject to adjustment in the future if we believe it would be consistent with our statutory duties to make amendments to allow other distribution companies to convey gas in any of these Electoral Wards. For example this may be appropriate in another geographical area of any the Wards where firmus do not convey gas. For the avoidance of doubt, exclusivity is also subject to the limitations set out in condition 2.1 (a) of Schedule 3 of the firmus licence.

Cost allowances

Having reviewed the estimated cost of bringing gas to the Bushmills area, we will allow an additional sum of £1,235,000 (January 2006 prices) for the connections outlined at the start of this letter. For the avoidance of doubt, this excludes the connection incentive for the Old Bushmills Distillery, which we are not allowing.

In return for this additional allowance, you are forecast to achieve an additional 250,000 therms for 2013 as the Old Bushmills Distillery will begin to burn from 1 September 2013; and an addition 750,000 therms in respect of the Old Bushmills Distillery for each year thereafter. We will use this volume figure to adjust our determined volumes during this price control period. We will also use this forecast volume as a starting point in future price control periods.

For the avoidance of doubt the 750,000 therms will be the minimum level of additional volumes included from 2013 until the estimated year that the NPV of the connection turns positive (2020). This will apply even if actual volumes fall below forecast.

Implementation

It is not our intention to reopen the current price control review (PCR02) to implement these changes; rather we will make all the necessary adjustments at the time of the next price control review. We will decide at that point what date the figures should apply from based on progress on the projects.

This will require the construction of a 'retrospective mechanism' that will log-up and log-down any additional allowances owed to you from, or owed by you to, customers. The mechanism will allow us to calculate an appropriate adjustment to make to the opening value of your asset base at the forthcoming price control. This adjustment will have the equivalent effect of adding to, or subtracting from, your PCR02 allowances for new connections such as the Old Bushmills Distillery, or for capex deferrals (for example, see letter of 30 September 2011 from Paul Harland).

In accordance with licence condition 3.2.12(a)(ii) and 3.2.12(b)(ii), please ensure the Additional Development Plan named above is published on your website within one month from the date of this letter

We trust this letter is clear, but if you require any clarifications please feel free to contact the office. We look forward to continuing our work with firmus energy to ensure the economic and efficient development of the natural gas industry in Northern Ireland.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'B. McHugh', written in a cursive style.

Brian McHugh
Gas Director