

**Scotia Gas Networks Northern Ireland Ltd**

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**LICENCE FOR THE CONVEYANCE OF GAS IN NORTHERN IRELAND**

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## **GRANT AND TERMS OF LICENCE**

### **1. Grant of Licence**

The Northern Ireland Authority for Utility Regulation (the “Authority”), in exercise of the powers conferred by Article 8(1)(a) of the Gas (Northern Ireland) Order 1996 (the “Order”), hereby grants to **Scotia Gas Networks Northern Ireland Ltd** (a private limited company registered in England and Wales under company number 8822715) having its principal place of business at St Lawrence House, Station Approach, Horley, Surrey, RH6 9HU (the “Licensee”) a licence to convey gas from one place to another:

- (a) in the area designated as a term of the licence in Schedule 1 hereto;
- (b) from the date of this grant, on which date the licence shall be deemed to come into force, until:
  - (i) the licence is determined by not less than 25 years’ notice in writing given by the Authority to the Licensee, which notice shall not be served earlier than the date which is ten years after the date of this grant; or
  - (ii) the date, if earlier, on which the licence is revoked in accordance with the provisions specified as a term of the licence in Schedule 2 hereto; and
- (c) by virtue of Article 9(1) of the Order, on an exclusive basis in accordance with the provisions specified as a term of the licence in Schedule 3 hereto.

### **2. Conditions of the Licence**

The grant of the licence shall be deemed:

- (a) in accordance with Article 11(2) of the Order, to incorporate by this reference the standard conditions of licences for the conveyance of gas determined under Article 11(1) of the Order, subject to:
  - (i) those modifications to such standard conditions as are set out in the attachments hereto at the time of this grant as made in accordance with

Article 14(1)(b) of the Order (as such modifications may themselves subsequently be modified by virtue of Article 14(1)(a) of the Order, Article 14 to Article 14 G of the Order, or such other lawful power of modification as may exist from time to time); and

(ii) any subsequent modification to such standard conditions as may be made in accordance with Article 14(1)(b) of the Order, Article 14 to Article 14 G of the Order, or such other lawful power of modification as may exist from time to time; and

(b) in accordance with Article 10(1) of the Order, to include the further conditions attached hereto at the time of this grant (as such conditions may subsequently be modified in accordance with Article 14(1)(a) of the Order, Article 14 to Article 14G of the Order, or such other lawful power of modification as may exist from time to time).

Granted on 11 February 2015

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Jenny Pyper

Chief Executive

For and behalf of the Northern Ireland Authority for Utility Regulation

## **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 or any of the following Parts of the licence or in the Schedules hereto 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 the licence 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 or any of the following Parts of the licence or in the Schedules hereto.

#### **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" means the Conditions to which the licence is subject and references to "any Conditions" and to any cognate expression shall be construed accordingly;

- (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), 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

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:

<b>"affiliate"</b>	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
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	another subsidiary of a company of which such person is a subsidiary;
<b>"amount"</b>	means, in relation to gas, the energy content thereof expressed in kilowatt hours;
<b>"auditors"</b>	means the Licensee's auditors for the time being holding office in accordance with the requirements of the Chapter 2 of Part 16 of the Companies Act 2006;
<b>"authorisation of persons"</b>	means the power of the Licensee to authorise persons, pursuant to Schedule 5 of the Order;
<b>"Authority"</b>	means the Northern Ireland Authority for Utility Regulation;
<b>"balancing"</b>	<p>means (in relation to the Network Code and relevant period for balancing under the Network Code) taking such measures as may be available to the Licensee, in particular measures:</p> <ul style="list-style-type: none"> <li>(a) for managing the relationship between deliveries of gas to and offtakes from the Network during that period; and</li> <li>(b) to maintain pressures in the Network at all levels,</li> </ul> <p>which in the reasonable opinion of the Licensee ensure the safety and efficiency of the Network in that or any subsequent relevant period;</p>
<b>"company"</b>	means a company within the meaning of section 1(1) of the Companies Act 2006 or any other body corporate;
<b>"Competition and"</b>	means the body of that name established by Section 25

<b>Markets Authority" or "CMA"</b>	of the Enterprise and Regulatory Reform Act 2013.
<b>"consumer"</b>	means any person supplied with gas to premises;
<b>"conveyance charges"</b>	means the charges made by the Licensee for the conveyance of gas;
<b>"conveyance services"</b>	means all services provided by the Licensee of conveying gas to, through and within the Licensed Area;
<b>"Department"</b>	means the Department of Enterprise, Trade and Investment;
<b>"distribution system operator"</b>	means any person authorised to convey gas through local or regional pipe-lines by virtue of holding a licence granted under Article 8(1)(a) of the Order;
<b>"domestic consumer"</b>	means a person who is supplied with gas conveyed to premises at a rate which is reasonably expected not to exceed 73,250 kilowatt hours a year;
<b>"Energy Order"</b>	means the Energy (Northern Ireland) Order 2003;
<b>"exemption holder"</b>	means the holder of an exemption under Article 7 of the Order;
<b>"exercise of powers of entry"</b>	means the Licensee entering any premises, in accordance with the powers conferred by Schedule 5 of the Order;
<b>"financial year"</b>	has the meaning given to it in Condition 1.2;
<b>"gas supplier"</b>	means any person authorised by licence under Article 8(1)(c) of the Order or by exemption under Article 7 of the Order to supply gas including the Licensee as so

	authorised or exempted;
<b>"Grant"</b>	means the commencing section of this licence by which the Authority grants the Licensee the licence;
<b>"High Pressure Conveyance Licence"</b>	means the gas conveyance licence originally granted, on the same date as the Grant, to Northern Ireland Energy Holdings Limited;
<b>"High Pressure Conveyance Licensee"</b>	means the person from time to time authorised to convey gas under the High Pressure Conveyance Licence;
<b>"high pressure pipe-line"</b>	means any pipe-line having a design operating pressure exceeding 7 bar gauge;
<b>"information"</b>	includes documents, accounts, estimates, returns, reports or other information;
<b>"licence"</b>	means the Grant together with the Conditions and the Schedules;
<b>"Licensed Area"</b>	means the area in which the Licensee is authorised to convey gas in accordance with Schedule 1;
<b>"Licensed Business"</b>	means the activities connected with the conveyance of gas pursuant to the licence, including (without limitation) the development, construction, operation and maintenance of the Network, the connection of premises to the Network, and the provision and maintenance of gas meters (but not meter reading);
<b>"Licensee"</b>	means the person referred to as such in the Grant, and/or any person to whom the Licence is subsequently assigned in accordance with the Order, the Energy Order or the Licence;

<b>“LNG Facility”</b>	means a facility or terminal used for the liquefaction of gas or the importation, offloading and re-gasification of LNG and includes ancillary services and temporary storage for the re-gasification process and delivery to the gas conveyance system comprising of high pressure pipe-lines but does not include any part of the facility used for the storage of gas;
<b>"low pressure pipe-line"</b>	means any pipe-line which is not a high pressure pipe-line;
<b>"Network"</b>	means the network of low pressure pipe-lines within the Licensed Area that are owned and/or operated by the Licensee (and shall also include any plant, equipment or apparatus used for, or for any purposes connected with, the conveyance of gas through such pipe-lines) 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 to the first gas meter at such premises;
<b>"Network Code"</b>	means the document prepared by the Licensee under Condition 2.4;
<b>"non-standard gas credit meter"</b>	means a gas credit meter owned by the Licensee which is not a standard gas credit meter;
<b>"non-standard gas meter"</b>	means either a non-standard gas credit or pre-payment meter;
<b>"non-standard gas pre-payment meter"</b>	means a gas pre-payment meter owned by the Licensee which is not a standard gas pre-payment meter;
<b>"Order"</b>	means the Gas (Northern Ireland) Order 1996;

<b>"owned"</b>	means in relation to any gas meter title in or control over a meter and includes meters leased to a person;
<b>"person"</b>	means any company, firm, partnership, association, body corporate or individual;
<b>"related undertaking"</b>	means any undertaking in which any person has a participating interest within the meaning of section 421A of the Financial Services and Markets Act 2000;
<b>"separate accounts"</b>	means the accounts which are to be prepared for each Separate Business;
<b>"Separate Business"</b>	<p>means, each of the activities of the Licensee connected with:</p> <ul style="list-style-type: none"> <li>(a) the conveyance of gas by means of a high pressure pipe-line pursuant to a licence granted in accordance with Article (8)(1)(a) of the Order;</li> <li>(b) the conveyance of gas by means of a low pressure pipe-line pursuant to a licence granted in accordance with Article (8)(1)(a) of the Order;</li> <li>(c) the storage of gas pursuant to a licence granted in accordance with Article 8(1)(b) of the Order; and</li> <li>(d) the supply of gas pursuant to a licence granted in accordance with Article 8(1)(c) of the Order,</li> </ul> <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</p>

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;

**"Storage Facility"**

means a facility used for the storage of gas and includes any part of a LNG Facility used for storage but does not include:

- (a) any part of the facility that is used for production of gas; and
- (b) any facility which is reserved exclusively by or for the Licensee in carrying out functions authorised by the Licence;

**"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;

**"subsidiary"**

has the same meaning as given to it in section 1159 of the Companies Act 2006;

**"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; and

**“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 Singular/plural

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

1.1.8 Application

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

## **Condition 1.2: Separate Accounts for Separate Businesses**

### **1.2.1 Financial years**

For the purposes of this Condition, the first financial year of the Licensee shall run from the date of the Grant to the following 31st December and thereafter each financial year of the Licensee shall run from 1st January to the following 31st December.

### **1.2.2 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 section 394, 398 or 399 of the Companies Act 2006, but shall be required to prepare such accounts in accordance with this Condition.

### **1.2.3 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 of the Licensee. Then the Licensee shall, so far as is reasonably practicable, prepare for each Separate Business on a consistent basis from 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
- (d) a balance sheet.

#### 1.2.4 Apportionment

The financial statements prepared under Condition 1.2.3 shall set out and fairly present the costs (including depreciation), revenues, assets employed and liabilities of, or as may be reasonably attributable to, that 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 of the Licensee (or of any affiliate or related undertaking of the Licensee), such apportionment to be undertaken in accordance with the basis of apportionment notified to the Authority in accordance with Condition 1.2.5 or otherwise directed by the Authority in accordance with Condition 1.2.6,

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

#### 1.2.5 Bases of charge or apportionment - Notification

The Licensee shall as soon as practicable and in any event prior to the end of the first financial year notify the Authority of:

- (a) the basis of apportionment that it proposes to use for the financial statements prepared under Condition 1.2.3 in respect of each Separate Business for that financial year; and
- (b) the principles and factors taken into account for such basis of apportionment.

#### 1.2.6 Basis of charge or apportionment - Application

The basis of apportionment in respect of the financial statements referred to in Condition 1.2.3 shall be the basis proposed by the Licensee under Condition 1.2.5 unless the Authority following consultation with the Licensee gives a direction requiring the use of any other basis.

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 1<sup>st</sup> January 2015 from the basis used in the financial statements in respect of that Separate Business for that financial year.

#### 1.2.7 Auditor's Reports

In respect of each set of financial statements prepared in accordance with this Condition 1.2 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 1.2 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.

#### 1.2.8 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 1.2 as soon as reasonably practicable and in any event not later than six months after the end of each financial year.

#### 1.2.9 Form of financial statements

Financial statements prepared for the purposes of this Condition 1.2 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 practices (UK GAAP) or International Financial Reporting Standards (IFRS);
- (b) state the accounting policies adopted, including policies for the allocation of costs between the Licensee and any affiliate or related undertaking of the Licensee; and
- (c) be so prepared to a level of detail and explanation as may reasonably be required by the Authority so that they may be reconciled with and compared against the published accounts of the Licensee under the Companies Act 2006.

#### 1.2.10 Publication of Accounting Statements

The Authority may 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 1.2 with the annual accounts of the Licensee.

#### 1.2.11 Construction of "costs or liabilities"

References in this Condition 1.2 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.

#### 1.2.12 Additional Definition

"UK GAAP/IFRS" means the body of accounting standards and other guidance published by the Financial Reporting Council/International Accounting Standards Board.

#### 1.2.13 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.

#### 1.2.14 Associated Undertakings

The Licensee shall set out, in notes to the published accounts referred to in Condition 1.2.9(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 1.2.14, 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 1.3: Provision of Information to the Authority**

#### **1.3.1 Furnishing information**

Subject to Conditions 1.3.2 and 1.3.3 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.

#### **1.3.2 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 its Licensed Business), of any information or advice which the Authority proposes to publish pursuant to Article 7 of the Energy Order.

#### **1.3.3 Condition 1.3 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 any Schedule.

#### **1.3.4 Condition 1.3 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 1.3.1 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.

#### **1.3.5 Limitation on obligation to furnish information**

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 1.4: Consultation with the General Consumer Council**

##### **1.4.1 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 1.5: Restriction on Use and Disclosure of Certain Information**

### **1.5.1 Use of protected information**

Where the Licensee or any affiliate or related undertaking of the Licensee holds 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 having the meaning attributed to it by Section 450 (as read in conjunction with section 451) of the Corporation Tax Act 2010), shall be to do so 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 1.5.1(a) shall be construed to

exclude protected information received by any Separate Business, if applicable, not engaged in the conveyance of gas independently of the Separate Business engaged in the conveyance of gas.

1.5.2 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 1.5.1 in the conduct of its business to convey gas.

1.5.3 Limitation of non disclosure obligations

Condition 1.5.1(c) shall not apply to any disclosure of information:

- (a) authorised by Article 63(3) or (4) of the Energy Order; or
- (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 by any other requirement of a competent authority; or
- (c) made in compliance with the Conditions of the Licence or any document referred to in the Licence 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 the Licence to comply; or
- (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.

1.5.4 Additional definition

In this Condition:

**"protected information"** means any commercially confidential information which:

- (a) relates to the affairs of a person; and
- (b) has been furnished to, or otherwise acquired by, the Licensee or by any affiliate or related undertaking of the Licensee 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 breach by the Licensee of any Condition of the Licence.

## **Condition 1.6: Powers of Entry**

### **1.6.1 Arrangements for powers of entry**

The Licensee shall, unless it has done so before being licensed, no less than 15 days before gas is first introduced into the Network and in any event within six months of the licence coming into force:

- (a) submit to the Authority a statement of its proposed arrangements in respect of the matters mentioned in Condition 1.7;
- (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 1.7, 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 1.7 are referred to as "the arrangements".

### **1.6.2 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 1.7 and shall make, subject to Condition 1.6.3, any necessary changes.

### **1.6.3 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.

### **1.6.4 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 1.7: Authorisation of Persons**

### **1.7.1 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 paragraph 6 of Schedule 5 to the Order.

### **1.7.2 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 1.7.1(a), (b) and (c) have been complied with and it appears to the Licensee that he is such a fit and proper person.

1.7.3 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 1.8: Exercise of Powers of Entry**

### **1.8.1 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.

### **1.8.2 Construction of Condition 1.8.1**

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 1.9: Modifications**

### **1.9.1 Modification of Licence Conditions**

The Conditions of the licence are subject to modification in accordance with their terms or with Articles 9, 14, 14A, 14E or 18 of the Order, with any provision for the modification of the same in the Order or the Energy Order or any other lawful power of modification as may exist from time to time.

### **Condition 1.10: Assignment of Licences**

#### **1.10.1 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 either generally, or so far as relating to the whole or any part of the Licensed Area.

#### **1.10.2 Matters affecting an assignment**

In deciding whether to give its consent under Condition 1.10.1 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.

#### **1.10.3 Licensee may not otherwise assign its licence**

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

### **Condition 1.11: Transfer of Business**

#### **1.11.1 Restrictions on transfer of business in conveying gas**

Subject to Condition 1.11.2, 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.

#### **1.11.2 Exception to Conditions 1.11.1**

Nothing in Condition 1.11.1 shall prevent the Licensee from transferring all or the relevant part of its business 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 the licence in accordance with Condition 1.10.

## **Condition 1.12: Disposal of Relevant Assets**

### **1.12.1 Licensee not to dispose of or relinquish operational control of relevant assets**

Except:

- (a) in relation to an assignment permitted under Condition 1.10 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 1.11 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) where the Licensee has 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 the licence and any question arising under this Condition 1.12.1 as to whether such disposal or relinquishing of control is such as aforesaid shall be determined by the Authority.

### **1.12.2 Notice to be given to Authority**

Save as provided in Condition 1.12.3 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.

#### 1.12.3 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 £35,000 in January 2014 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 the licence; and
- (b) the disposal or relinquishing of any such relevant assets does not exceed an aggregate value of £350,000 in January 2014 prices (such sum to be adjusted annually by reference to the retail price index), in any period of twelve months.

#### 1.12.4 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 1.12.2.

#### 1.12.5 Consultation with other licence holders

Any consent of the Authority pursuant to Condition 1.12.4 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.

1.12.6 Additional Definitions

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; and

**"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, together with any estate or interest in land required for the utilisation of the Network, gas storage facility or gas plant and any intangible assets (including patents, copyright, design rights and other similar rights) relating to or arising from the Licensed Business.

### **Condition 1.13: Payment of Fees to the Authority**

1.13.1 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**).

1.13.2 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.

1.13.3 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.

1.13.4 Where:

- (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 Condition 1.13.3(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 Condition 1.13.4(c).

1.13.5 Where the Licensee fails to pay the amount of the licence fee as notified to it under Condition 1.13.2 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.

1.13.6 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;
- (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.

**“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 1.14: Notices**

### 1.14.1 Notices

All notices to be given under any Condition 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: **Scotia Gas Networks Northern Ireland Ltd (A private limited company),**

St Lawrence House,

Station Approach,

Horley,

Surrey,

RH6 9HU

Facsimile Telephone Number (01293) 818500

Authority: **Northern Ireland Authority for Utility Regulation,**

Queens House,

14 Queens Street,

Belfast, BT1 6ED

Facsimile Telephone Number (02890) 311575

Department: **Department of Enterprise, Trade and Investment,**

Energy Division,

Netherleigh House,

Massey Avenue,

Belfast, BT4 2JP

Facsimile Telephone Number (02890) 529549

1.14.2 Receipt

Any notice given under the provisions of Condition 1.14.1 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 1.15: Not used**

## **Condition 1.16: Independence of the Licensee**

### **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.

### **1.16.2 Managerial and Operational Independence**

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**

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

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 any 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 Definitions

In this Condition:

<b>“Act”</b>	means the Gas Act 1986, as amended from time to time;
<b>“Associated Business”</b>	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;
<b>“Associated Gas Supply Business”</b>	means any Gas Supply Business not forming part of the Authorised Business;
<b>“Authorised Business”</b>	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 low pressure pipe-lines; and
- (b) where the Licensee has so notified the Department and the Authority, relate to the conveyance of gas through high pressure pipe-lines;

**“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 section 1159 of the Companies Act 2006;

**“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; and

**"Relevant Affiliate"**

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

- (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.

#### 1.17.4 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 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: Systems to Facilitate Change of Supplier**

### **1.18.1 Application**

This Condition shall apply to the Licensee where it conveys, or is authorised to convey, gas through low pressure pipe-lines.

### **1.18.2 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.

### **1.18.3 Maintaining Records and Reporting**

The Licensee shall no later than fourteen days 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.

### **1.18.4 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 Condition 1.18.2.

### **1.18.5 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.

1.18.6 Compliance with Directions

The Licensee shall comply with any direction issued under Condition 1.18.5 from the date specified in the direction.

1.18.7 Definitions

In this Condition –

<b>“Registration Request”</b>	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
<b>“Supplier Transfer”</b>	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 1.19: Prohibition of Discrimination in provision of services**

#### **1.19.1 Application**

This Condition shall apply to the Licensee where it conveys, or is authorised to convey, gas through low pressure pipe-lines.

#### **1.19.2 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 1.20: Provision of Information to Gas Suppliers**

### **1.20.1 Application**

This Condition shall apply to the Licensee where it conveys, or is authorised to convey, gas through low pressure pipe-lines.

### **1.20.2 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.

### **1.20.3 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.

### **1.20.4 Definitions**

In this Condition:

**"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.

## **Condition 1.21: Regulatory Instructions and Guidance**

### **1.21.1 Introduction**

- (a) The purpose of this Condition 1.21 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.

### **1.21.2 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 1.21.2, 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.

### 1.21.3 Scope and content of RIGs

- (a) Subject to paragraphs (b) and (c) of this Condition 1.21.3, 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 1.21.6).
- (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.

#### 1.21.4 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 1.21.4 and with Condition 1.21.5.
- (c) A direction issued by the Authority under paragraph (a) of this Condition 1.21.4 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 1.21.4 may be satisfied by actions taken by the Authority before as well as after the coming into effect of this condition.

#### 1.21.5 Requirements for new or more detailed information

- (a) This Condition 1.12.5 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 1.12.5 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.

#### 1.21.6 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.

- (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.

#### 1.21.7 Definitions

For the purposes of this condition:

<b>"examiner"</b>	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;
<b>"specified information"</b>	means information (or a category of information) that is so described or defined in the RIGs.

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

**Condition 2.1: Territorial Scope**

2.1.1 Territorial Scope

The Licensee is authorised to convey gas through low pressure pipe-lines from one place to another in the Licensed Area.

**Condition 2.2: Conveyance Charges, Other Terms for the Conveyance of Gas and the provision of Conveyance services**

**2.2.1 Determination of conveyance charges by the Licensee**

The Licensee shall establish the methods and principles on which conveyance charges shall be determined for gas suppliers wishing and entitled to use the Network and the Licensee shall publish the same in accordance with Condition 2.2.2 and 2.2.8.

**2.2.2 Publication of conveyance charges and other terms for the conveyance of gas**

Subject to Condition 2.2.3:

- (a) the Licensee shall no later than 1 October in each year, publish for the forthcoming year, in such manner as will secure adequate publicity for it, a statement of:
  - (i) its conveyance charging methodology for the use of the Network by gas suppliers for the forthcoming 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);
- (b) the Licensee shall send a copy of any such statement to any person who asks for one,

and subject to Condition 2.2.4(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.

**2.2.3 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 2.2.2 the Licensee shall:

- (a) notify the Authority of the contents of that statement;
- (b) provide the Authority with:
  - (i) an explanation of any impact the proposed conveyance charges may or will have on the value of the accumulated under-recovery of revenue in respect of the current or any future Formula Year (as that term is defined in Condition 4.12);
  - (ii) the reasons for any such actual or likely impact on the value of the accumulated under-recovery in respect of each such Formula Year; and
  - (iii) details of the measures proposed by the Licensee, and the timescales for the implementation of each such measure, for reducing the value of the accumulated under-recovery of revenue in respect of each such Formula Year;
- (c) provide the Authority with such information as will enable the Authority to be reasonably satisfied that:
  - (i) the methodology and principles for the conveyance charges have been determined:
    - (A) in accordance with Conditions 4.1 to 4.7; or,
    - (B) prior to 1 January 2018, on such alternative reasonable basis as the Authority may agree; and
  - (ii) the reasons provided by the Licensee for the actual or likely impact on the value of the accumulated under-recovery, and the measures proposed by the Licensee for reducing the value of the accumulated under-recovery, reflect the Licensee's obligations under this licence.
- (d) provide the Authority with an explanation of the other terms for conveyance set out in the statement; and

- (e) prior to publication of the statement obtain the Authority's approval to the form and content of that statement.

#### 2.2.4 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 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 2.2.2 in respect of that 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
- (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 2.2.4(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.

#### 2.2.5 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.

#### 2.2.6 Resolution of Disputes

- (a) This condition 2.2.6 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 2.2, in respect of the terms of the agreement offered by the Licensee to such person pursuant to this Condition 2.2.
- (b) Where this condition 2.2.6 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.

#### 2.2.7 Additional duty to provide information

The Licensee shall advise the Authority by its report under Condition 3.2.5 in respect of each year whilst that Condition applies, and thereafter by a report provided to the Authority no later than 1<sup>st</sup> of March of each year for the preceding 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 including its own Separate Business, if any, engaged in the supply of gas.

#### 2.2.8 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;
  - (ii) the conveyance charges and other terms for the conveyance of gas determined and included in its 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 2.2.8 and shall publish a revised statement in accordance with Conditions 2.2.2.

### **Condition 2.3: Connection Charges and Obligation to permit a Connection**

#### **2.3.1 Statement of connection charges and terms for connection and meter connections and disconnections**

Subject to Conditions 2.3.2 and 2.3.3, the Licensee shall no later than 3 months after the coming into force of this licence 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 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;
- (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 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 shall apply to the making of any connection.

#### **2.3.2 The statement and cases and classes of cases**

The statement given by the Licensee under Condition 2.3.1 shall:

- (a) subject to Condition 2.3.5(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 including any Separate Business engaged in the supply of gas.

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

Any statement given under Condition 2.3.1 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 operation requirements for the Licensee to provide the connection.

2.3.4 Authority's consent required to stated connection charges and publication of statement

Subject to the Authority's prior approval to the form and contents of any statement given by the Licensee under Condition 2.3.1 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.

2.3.5 Connection charges and terms for connection and 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 contained in the statement published under Condition 2.3.4;
- (b) not show any undue preference towards or undue discrimination against any person or case or classes of cases of person (including any other business of the Licensee) seeking a connection of premises to the Network, or of any non-standard gas meter, or gas meter not owned by the Licensee (or any affiliate or related undertaking of the Licensee) or any person who operates or proposes to operate a pipe-line system (including any other business of the Licensee), 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 2.3.5(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.

#### 2.3.6 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 2.3.6 and shall publish revised statements as soon as reasonably practicable in accordance with Condition 2.3.4.

#### 2.3.7 Revising connection charges

Without prejudice to Condition 2.3.6, 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 Condition 2.3.1 and obtaining the Authority's approval to such a revision in the same terms as Condition 2.3.4.

#### 2.3.8 Statements for the purposes of standards of performance

The Licensee shall ensure that statement submitted by it to the Authority under Condition 2.3.1 or Condition 2.3.7 is also accompanied by:

- (a) a statement, issued from time to time by the Licensee and agreed with the Authority after such consultation as the Authority directs, which describes for the purposes of the Standards of Performance Regulations a connection that is classed by the Licensee as a complex connection;
- (b) a statement, issued from time to time by the Licensee and agreed with the Authority after such consultation as the Authority directs, which describes for the purposes of the Standards of Performance Regulations a connection that is classed by the Licensee as an excluded connection.

### 2.3.9 Resolution of disputes by the Authority

- (a) This Condition 2.3.9 applies where there is a dispute between the Licensee and any person requiring a connection to the Network in respect of the terms of an agreement for the connection to be made ('connection agreement').
- (b) Where this Condition 2.3.9 applies, any party to the dispute may make an application to the Authority for determination of the terms of the connection agreement.
- (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 dispute 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 connection agreement in such manner as appears to the Authority to be reasonable having regard (insofar as is relevant and appropriate) to the obligations that would otherwise have applied to the Licensee under this Condition.
- (i) Where the person entitled or claiming to be entitled to a connection to the Network wishes to proceed on the basis of the terms of the connection agreement as determined by the Authority, the Licensee shall forthwith enter into and implement such agreement in accordance with its terms.

2.3.10 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 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.

2.3.11 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 (including any other business of the Licensee) 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 other terms for connection, including any terms as to technical and safety matters.

#### 2.3.12 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 2.3.11 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.

#### 2.3.13 Obligation to permit a connection

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 2.3.8(b)), to connect a pipe-line between the Network and the premises,

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

#### 2.3.14 Reasons for Refusal

Where the Licensee refuses a request for connection to the Network it shall provide duly substantiated reasons for doing so.

2.3.15 Accuracy of quotations

The Licensee shall:

- (a) from time to time submit to the Authority for its agreement an accuracy review scheme through which any customer can require the Licensee to review the accuracy of quotation provided to that customer for obtaining or renewing a connection to the Network; and
- (b) publish the agreed accuracy review scheme in such manner as will bring it to the attention of customers.

The agreed accuracy review scheme shall be the published accuracy scheme for the purposes of the Standards of Performance Regulations.

2.3.16 Interpretation and construction

References in this Condition to "charges" shall include references to means whereby such charges may be ascertained.

2.3.17 In this Condition:

<b>"Standards of Performance Regulations"</b>	means The Gas (Individual Standards of Performance) Regulations (Northern Ireland) 2014.
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## **Condition 2.4: Network Code**

### **2.4.1 The relevant objective**

The Licensee shall establish arrangements for the conveyance of gas, being arrangements other than those to which Conditions 2.2 and 2.3 relate, 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; and
- (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 2.4.1(c)(i) the promotion of effective competition between Users.

### **2.4.2 The Network Code**

The Licensee shall:

- (a) prepare and provide to the Authority for its approval a "Network Code", that is to say a document setting out the arrangements established under Condition 2.4.1 and the terms on which it will enter into such arrangements with Users for the conveyance of gas, by no later than 3 months after the date of Grant of the Licence;
- (b) ensure that the Network Code contains provisions that establish, where the Licensee undertakes these activities:
  - (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 Users for the balancing of the Network are to be determined; and
  - (iv) 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; and
  - (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.

#### 2.4.3 Referring Matters to the Authority

Where a term of the Network Code or of the modification rules referred to in Condition 2.4.5 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 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.

#### 2.4.4 Modification of the Network Code

The Licensee shall establish and implement procedures for the modification of the 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 it to anyone who asks for one; 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.

#### 2.4.5 Modification Rules

The Licensee shall:

- (a) prepare "the modification rules", that is to say a document setting out the terms of the procedures established under Condition 2.4.4, 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 consideration; and
  - (iii) with the consent of the Authority; and

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

#### 2.4.6 Prohibition on irregular modification

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

- (a) to comply with Condition 2.4.7(c); or
- (b) with the consent of the Authority,

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

#### 2.4.7 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 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.

#### 2.4.8 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 modification rules as modified from time to time 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.

#### 2.4.9 Authority to determine material affect 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.

#### 2.4.10 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.

#### 2.4.11 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:

- (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.

#### 2.4.12 Performance of Obligations

- (a) The Licensee shall in fulfilling its obligations under Conditions 2.4.1 to 2.4.2 and 2.4.4 to 2.4.5:
  - (i) liaise and co-operate with all other distribution system operators authorised to convey gas through low pressure pipe-lines ('relevant licence holders') 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 2.4.12.

#### 2.4.13 Definitions

In this Condition:

<b>“User”</b>	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.
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## **Condition 2.5: Compliance with System Operator Agreements**

### **2.5.1 Agreements for interoperability of systems**

Where the Licensee is under and in accordance with Article 8H of the Order designated as a transmission system operator or is designated as a distribution system operator (as the case may be), it shall use all reasonable endeavours to enter into an agreement with:

- (a) any other person holding a licence granted under Article 8(1)(a) of the Order;
- (b) any person holding a licence granted under Article 8(1)(b) of the Order; and
- (c) any person holding a licence granted under Article 8(1)(d) of the Order,

which agreement:

- (d) relates to the interaction or interoperability of the Licensee's Network with that person's gas conveyance system, gas storage facility or LNG facility (as the case may be); and
- (e) ensures that the conveyance of gas between the Licensee's Network and that other system or facility is undertaken in a manner which is compatible with the secure and efficient operation of the Licensee's Network and that other system or facility.

### **2.5.2 Minimum Requirements – Technical Rules**

Each agreement entered into by the Licensee in accordance with Condition 2.5.1 shall set out (either directly or by reference to a separate document) the Licensee's technical design and operational requirements as applicable to the connection, interaction and interoperability between the Licensee's Network and the other system or facility, which requirements shall be objective and shall not show any undue discrimination between persons or classes of person.

### **2.5.3 Approval by the Authority**

The Licensee shall not require any person to enter any agreement of the type referred to in Condition 2.5.1 unless the agreement, and where applicable any amendment to the agreement, has first been submitted to and approved by the Authority.

#### 2.5.4 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 2.5.1, 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).

## **Condition 2.6: Conduct of Transportation Business**

### **2.6.1 Conduct of business activities – high pressure**

Where the Licensee conveys gas, or is authorised to convey gas, through high pressure pipe-lines it shall conduct its business activities relating to the conveyance of gas in the manner best calculated to secure that neither:

- (a) the Licensee or any affiliate or related undertaking of it or any company of which the Licensee is an affiliate or related undertaking; nor
- (b) any other licence holder or exemption holder,

obtains any unfair commercial advantage in any business in the storage or supply of gas including, in particular, any such advantage from a preferential or discriminatory arrangement.

### **2.6.2 Conduct of business activities – low pressure**

Where the Licensee conveys gas, or is authorised to convey gas, through low pressure pipe-lines it shall conduct its business activities relating to the conveyance of gas (including any activities relating to the making of arrangements with other network operators for the conveyance of gas through their networks for the purposes of Condition 2.19) 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.

### 2.6.3 Disclosure of information

The Licensee shall:

- (a) use its best endeavours to secure that any information relating to or derived from its Licensed Business (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 2.19) 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.

### 2.6.4 Exempt information

Condition 2.6.2 shall not extend to:

- (a) information received by the Licensee which is relevant to any trading business of the Licensee; or
- (b) information specified in any consent to non-compliance with that Condition given by the Authority to the Licensee; or
- (c) information relating to a particular licence or exemption holder which that party has consented in writing to being used or disclosed in accordance with the terms of that consent; or
- (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; or

- (e) information which is in the public domain (other than as a result of contravention by the Licensee of any Condition of the licence); or
- (f) information which is required to be disclosed pursuant to a Condition of the licence.

#### 2.6.5 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.

#### 2.6.6 Additional definition

In this Condition:

<b>"trading business"</b>	means activities connected with the acquisition and disposal of gas in Northern Ireland other than for the efficient operation of the Network operated by the Licensee or for replacing gas lost from the Network.
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## **Condition 2.7: Provision of information to a relevant gas licence holder**

### **2.7.1 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 2.7.1, 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.

### **2.7.2 Ability to refuse**

The Licensee shall be entitled to refuse to provide information under Condition 2.7.1 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 2.7.1.

### **2.7.3 Excluded information**

This Condition 2.7 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.

### **2.7.4 Arrangements for protecting confidentiality**

The Licensee shall not be obliged under Condition 2.7.1(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 licence holder in pursuance of which gas is conveyed through that licence holder's network.

#### 2.7.5 Definitions and interpretation

In this Condition 2.7, 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 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 2.8: 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 persons 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 earlier if 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 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.

#### 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 such a term of that consumer's contract for the supply of gas or 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:

- (a) when telling a non-domestic consumer that he should use his best endeavours to refrain from using gas, in pursuance of such a term of that consumer's contract for the supply of gas; or
- (b) 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 2.8:

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

## **Condition 2.9: Maintenance of Records**

### **2.9.1 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 2.9.1(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 2.9.1(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 2.9.1(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.

### **2.9.2 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 2.10: Powers of Licensee under Article 13 of the Order**

2.10.1 The provisions of:

(a) Schedule 2; and

(b) Schedule 3,

of the Order shall apply to the Licensee.

## **Condition 2.11: Network Forecasts**

### **2.11.1 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, with respect to each of the 10 succeeding years beginning with 1 June following the date of the grant of the Licence, such information by way of 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:

- (c) 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; and
- (d) the Authority to monitor issues relating to security of supply.

### **2.11.2 Co-ordination with Statements of other Designated Pipe-line Operators**

Where the Licensee is a Designated Pipe-line Operator, the preparation of any statement in accordance with paragraph 1 shall, so far as possible be co-ordinated with the preparation of the corresponding or equivalent statement required to be produced by every other Designated Pipe-line Operator and such statements shall, so far as possible and save to the extent the Authority consents otherwise, be prepared on a consistent basis.

### **2.11.3 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 2.11.1 so as to ensure that, so far as reasonably practicable, the information in the revised statement is up to date.

#### 2.11.4 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 VI of the Financial Services and Markets Act 2000) of the Stock Exchange and with Condition 2.11.5:

- (a) no later than the tenth working day of June in each calendar year, furnish the Authority with a copy of the statement prepared under Condition 2.11.1 and of each revision of the statement prepared under Condition 2.11.3;
- (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.

#### 2.11.5 Particular interests

In complying with the requirements of Condition 2.11.4(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.

#### 2.11.6 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.

2.11.7 Definition

In this Condition:

<b>"Designated Pipe-line Operator"</b>	means any person authorised by licence to convey gas through the system comprising of all gas pipe-lines designated as being subject to a common tariff pursuant to any order made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003.
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## **Condition 2.12: Provision and Return of Meters**

### **2.12.1 Application**

This Condition shall apply to the Licensee where it conveys, or is authorised to convey, gas through low pressure pipe-lines.

### **2.12.2 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 2.12.2(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 supplier's 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.

### **2.12.3 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:
  - (i) a meter of that type is readily available to the Licensee;  
  
and
  - (ii) 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
  - (iii) 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 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 2.12.3(a)(ii) and (iii) 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 2.12.3(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.

#### 2.12.4 Installation of Gas Supplier's 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 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 paragraphs (a)(i) and (ii) above 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 paragraph (a) above 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.

#### 2.12.5 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.

#### 2.12.6 Disconnection of Meters

Subject to Condition 2.12.7, 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.

#### 2.12.7 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:

- (c) 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

- (d) thereafter for as long as, to the Licensee's knowledge, the meter is so relevant.

#### 2.12.8 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 2.13: Distribution Marketing Code**

### **2.13.1 Application**

This Condition shall apply where the Licensee conveys, or is authorised to convey, gas through low pressure pipe-lines.

### **2.13.2 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 authorised to convey gas through low pressure pipelines, prepare, submit to and have approved by the Authority a code of practice to be known as the Distribution Marketing Code.

### **2.13.3 The Code**

The Distribution Marketing Code shall:

- (a) be designed to facilitate achievement of the relevant objectives set out in Condition 2.13.4; and
- (b) make provision relating to the relevant matters set out in Condition 2.13.5.

### **2.13.4 The Relevant Objectives**

The relevant objectives are that:

- (a) the marketing activities of distribution system operators authorised to convey gas through low pressure pipelines in respect of the conveyance of gas through such pipe-lines:
  - (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 the activities of, the conveyance of gas 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; and
  - (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.

#### 2.13.5 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 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 Condition 2.13.5(b) is compliant with the relevant objectives set out in Condition 2.13.4.

#### 2.13.6 Revision of and Compliance with the Code

This Condition is subject to Condition 2.16 (Preparation, Revision of and Compliance with Codes of Practice).

## **Condition 2.14: Complaints Handling Procedure**

### **2.14.1 Application**

This Condition shall apply where the Licensee conveys, or is authorised to convey, gas through low pressure pipe-lines.

### **2.14.2 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**).

### **2.14.3 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 to bring and have promptly dealt with any complaint he may have in respect of the Licensee's activities.

### **2.14.4 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.

### **2.14.5 Revision of and Compliance with the Code**

This Condition is subject to Condition 2.16 (Preparation, Revision of and Compliance with Codes of Practice).

## **Condition 2.15: Consumer Information Code**

### **2.15.1 Application**

This Condition shall apply where the Licensee conveys, or is authorised to convey, gas through low pressure pipe-lines.

### **2.15.2 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.

### **2.15.3 The Code**

The Consumer Information Code shall:

- (a) be designed to facilitate achievement of the relevant objectives set out in Condition 2.15.4; and
- (b) make provision relating to the relevant matters set out in Condition 2.15.5.

### **2.15.4 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.

#### 2.15.5 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.

#### 2.15.6 Standard Form

The Licensee shall in conjunction and co-operation with every other distribution system operator authorised to convey gas through low pressure pipe-lines 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.

#### 2.15.7 Revision of and Compliance with the Code

This Condition is subject to Condition 2.16 (Preparation, Revision of and Compliance with Codes of Practice).

## **Condition 2.16: Preparation, Revision of and Compliance with Codes of Practice**

### **2.16.1 Application**

This Condition applies to any Code of Practice (**Code**) which the Licensee is, pursuant to Conditions 2.13, 2.14 and 2.15 of this Licence, required to prepare, submit to and have approved by the Authority.

### **2.16.2 Requirement for Approval**

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.

### **2.16.3 Review of Code**

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 authorised to convey gas through low pressure pipe-lines,

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.

### **2.16.4 Consultation**

In carrying out any review under Condition 2.16.3 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.

### **2.16.5 Authority Powers**

The Authority, following consultation with the Licensee, the General Consumer Council and 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 2.13, 2.14 and 2.15, as the Authority considers are necessary or expedient.

#### 2.16.6 Action following modification of Conditions

Where the Authority modifies a Condition in accordance with Condition 2.16.5(b):

- (a) it shall:
  - (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.

#### 2.16.7 Code Revisions

Where the Licensee revises a Code:

- (a) in accordance with Condition 2.16.6(b);
- (b) following a review undertaken in accordance with Conditions 2.16.3 and 2.16.4; or
- (c) following a direction from the Authority under Condition 2.16.5(a),

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

#### 2.16.8 Publication of Code

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.

#### 2.16.9 Compliance

Subject to Condition 2.16.11, the Licensee shall comply with each Code to which this Condition applies and which has been approved by the Authority.

#### 2.16.10 Monitoring Implementation and Operation

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.

#### 2.16.11 Directions relieving Licensee of Obligations

The Authority may (following consultation with the Licensee, and in the case of the Distribution Marketing Code, other distribution system operators authorised to convey gas through low pressure pipe-lines) issue directions relieving the Licensee of any of its obligations under Conditions 2.13, 2.14 and 2.15 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 2.17: Terms and Conditions of Gas Contracts with Domestic Consumers**

### **2.17.1 Application**

This Condition shall apply where the Licensee conveys, or is authorised to convey, gas through low pressure pipe-lines.

### **2.17.2 Gas Contracts**

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.

### **2.17.3 Provision of Information to Customers**

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 Condition 2.17.4; 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.

### **2.17.4 Terms and Conditions of Gas Contracts - Minimum Requirements**

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 of the Gas Contract;
- (d) (if offered by the Licensee) the types of maintenance service offered under the 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).

#### 2.17.5 Choice of Payment Methods

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.

#### 2.17.6 Cost Reflectivity in Payment Methods

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.

#### 2.17.7 Variation of Gas Contract

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 Condition 2.17.4(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 2.18: Standards of Performance**

### **2.18.1 Application**

This Condition shall apply where the Licensee conveys, or is authorised to convey, gas through low pressure pipe-lines.

### **2.18.2 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 the 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.

### **2.18.3 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 2.18.2; and
- (b) take into account the interests of those who are chronically sick, disabled or of pensionable age.

### **2.18.4 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 2.18.2 and 2.18.3 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
- (b) send a copy of it free of charge to any person requesting one,

except that, in performing the obligations under Conditions 2.18.4(a) and (b), the Licensee shall ensure that individual consumers cannot readily be identified except where they have consented.

## **Condition 2.19: Capacity Booking**

### **2.19.1 Application**

This Condition shall apply where the Licensee conveys, or is authorised to convey, gas through low pressure pipe-lines.

### **2.19.2 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 capacity in the pipe-line 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 Capacity Requirement.

### **2.19.3 Forecast Network Capacity Requirement Definition**

Forecast Network Capacity Requirement means the amount of 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 2.19.4, is likely to be exceeded only in 1 year out of 20 years.

### **2.19.4 Annual Consultation**

Unless the Authority otherwise directs:

- (a) no later than 21<sup>st</sup> February each year, the Licensee shall:
  - (i) publish a draft statement of its best estimate of Forecast Network 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

(ii) 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 21<sup>st</sup> March each year, the Licensee shall publish a final statement of the matters referred to in Condition 2.19.4(a)(i) 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.

#### 2.19.5 Additional Definitions

In this Condition:

<b>“daily firm demand”</b>	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;
<b>“day”</b>	means a period beginning at 6am on one day and ending immediately before 6am on the following day and “daily” shall be construed accordingly;
<b>“Gas Year”</b>	October in any calendar year and ending at 06:00 hours on 01 October in the next succeeding calendar year;
<b>“Network Consumers”</b>	means all those persons located within the Licensed Area who take a supply of gas at premises connected to the Network.
<b>"Other Network</b>	means a person licensed to convey gas under Article 8(1)(a) of the Order or exempted from the requirement to

<b>Operators”</b>	be licensed to convey gas under Article 7(1) of the Order, other than the Licensee.
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**Condition 2.20: Not used**

**Condition 2.21: Not used**

**Condition 2.22: Not used**

**Condition 2.23: Not used**

**Condition 2.24: Not used**

## **Condition 2.25: Common Branding**

### **2.25.1 Co-operation with other Organisations and Licensed Businesses**

The Licensee shall, in conjunction and co-operation with:

- (a) any other person that holds a licence granted under Article 8 of the Order,
- (b) any organisation providing information and advice to consumers on matters relating to activities that in accordance with Article 6 of the Order may only be undertaken under the authorisation of a licence ('licensable activities'),

develop, implement and comply with a common branding approach in relation to the promotion of gas in Northern Ireland ( the **Common Branding Approach**).

### **2.25.2 Common Branding Approach**

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

- (a) the promotion or use by the Licensee and any person that holds a licence granted under Article 8 of the Order, 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 person that holds a licence granted under Article 8 of the Order for the purposes of ensuring that such promotion of gas does not create confusion for consumers.

## **Condition 2.26: Common Network Tariff**

### **2.26.1 Co-operation with System Operators**

The Licensee shall in conjunction and co-operation with all other distribution system operators authorised to convey gas through low pressure pipelines ('relevant persons') take all steps within its power to contribute to the full and timely implementation of a common low pressure network tariff in Northern Ireland.

### **2.26.2 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 2.27: Reasonable and Prudent Operator**

### **2.27.1 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.

### **2.27.2 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 2.28: Designation as distribution system operator**

### 2.28.1 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.

### 2.28.2 Definition

In this Condition 2.28:

<b>“Directive 2009/73/EC”</b>	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.
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## **Condition 2.29: Gas to the West Conveyance Networks - Liaison and Cooperation**

### **2.29.1 Designing and Developing the Network**

The Licensee shall:

- (a) act in a reasonable and prudent manner in designing and developing the Network (including the location of any part of the Network) in so far as such design and development (including location) may affect the location, design and development of the high pressure pipe-line system of the High Pressure Conveyance Licensee;
- (b) liaise and co-operate with the High Pressure Conveyance Licensee for the purposes of:
  - (i) complying with its obligations in paragraph (a) above;
  - (ii) facilitating that the location, design and development of the Network (including any part of the Network) is, insofar as is possible taking into due account and consideration all applicable technical and safety constraints and matters, cognisant of and complementary to the location, design and development of the high pressure pipe-line system of the High Pressure Conveyance Licensee; and
  - (iii) ensuring that the location, design and development of the Network taken together with the location, design and development of the high pressure pipe-line system of the High Pressure Conveyance Licensee, provides for the efficient and economic conveyance of gas to customers in the GTTW Towns.

### **2.29.2 Conduct of Licensee**

Without prejudice to the generality of Condition 2.29.1, the Licensee shall not knowingly or recklessly pursue any course of conduct which is likely to prejudice the design and development of the high pressure pipe-line system being undertaken by the High Pressure Conveyance Licensee in a manner which facilitates:

- (a) the High Pressure Conveyance Licensee's compliance with the High Pressure Gas Conveyance Licence; and
- (b) the efficient and economic conveyance of gas to customers in the GTTW Towns.

#### 2.29.3 Resolution of Disputes

- (a) Paragraph (b) below applies where there is a dispute between the Licensee and the High Pressure Conveyance Licensee in relation to the proposed location, design and development of the Network (or any part of the Network) which proposal affects the proposed or actual location, design and development of the high pressure pipe-line system of the High Pressure Conveyance Licensee.
- (b) Where this paragraph applies, the Authority may on the application of either party to the dispute, settle the terms of the dispute in such manner as appears to it to be reasonable in all the circumstances of the case.
- (c) Where the Authority settles a dispute under paragraph (b), the License shall comply with the Authority's determination.

#### 2.29.4 Definitions

In this Condition:

**"GTTW Towns"** means the towns listed in Schedule 1 of the High Pressure Conveyance Licence.

## **Condition 2.30: Trading with Associated Businesses**

### **2.30.1 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).

### **2.30.2 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.

### **2.30.3 Reporting**

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

- (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 1.2.14; and
- (b) permit the Authority access to relevant documentation held by the Licensee in respect of any such transaction.

**PART 2A: Not used**

## **PART 3: ADDITIONAL SPECIAL CONDITIONS**

### **Condition 3.1: Definitions**

3.1.1 Except where expressly stated to the contrary, and unless the context otherwise requires, expressions used in this Part 3 shall have the meanings ascribed to them below.

<b>“Annual Connection Type Target”</b>	means, in relation to each Connection Type, the number of premises specified in the District Development Plan for that Connection Type in respect of each District and each financial year as specified in the District Development Plan;
<b>“Annual Total Target”</b>	means, in relation to each District and financial year, the total number of premises specified for that District and financial year in the District Development Plan;
<b>“Applicable Law”</b>	means all applicable provisions of all:  (a) constitutions, treaties, statutes, laws (including the common law), rules, regulations, ordinances or codes of any Governmental Authority; and  (b) orders, decisions, injunctions, judgments, awards and decrees of any Governmental Authority;
<b>"Connection Type"</b>	means Large/Contract IC, Small/Medium IC, NIHE, Domestic New Build or Domestic Owner Occupied and Private Rented;
<b>“Cumulative Target”</b>	means, in respect of each financial year, the aggregate of the Annual Total Targets for that financial year specified in the District

	Development Plan;
<b>“District”</b>	means the area covered by a District Council on the date of the Grant;
<b>“District Development Plan”</b>	means the district development plan set out in Annex 2 to this Part 3;
<b>“District Council”</b>	means each district council listed in Annex 1 to this Part 3, and, in each case, more particularly described therein by reference to the Electoral Wards comprised in the area covered by the district council on the date of the Grant;
<b>“Domestic New Build”</b>	means Domestic Premises which have never previously been owned or occupied by any person (that is they are, or are to be, newly built premises) and in respect of which the connection to the Network shall be made prior to the premises first being occupied, but excluding any such premises which fall within the definition of NIHE;
<b>“Domestic Owner Occupied and Private Rented”</b>	means Domestic Premises which do not fall within the definition of: <ul style="list-style-type: none"> <li>(a) Domestic New Build; or</li> <li>(b) NIHE;</li> </ul>
<b>"Domestic Premises"</b>	means: <ul style="list-style-type: none"> <li>(a) any premises at which the supply of gas is, or is to be, taken wholly or mainly for domestic purposes; and</li> <li>(b) any premises not falling within subparagraph (a) above at which the normal</li> </ul>

annual consumption of gas is reasonably expected not to exceed 73,250 kilowatt hours a year;

**“Electoral Ward”**

means, in respect of a District Council, a spatial unit used for the purpose of the election of local government councillors as at the date of the Grant, and any dispute as to the boundaries of each such spatial unit shall be determined by the Authority by reference to the map of electoral wards held at the Northern Ireland Statistics and Research Agency;

**“Governmental Authority”**

means any federation, nation, state, sovereign or government, any federal, supranational, regional state or local political subdivision, any governmental or administrative body, department or agency, or any court, commission or other similar dispute resolving body, and any other entity exercising executive, legislative, judicial, or regulatory functions;

**“Large/ Contract IC”**

means Non-Domestic Premises at which the normal annual consumption of gas is reasonably expected to exceed 732,500 kilowatt hours a year;

**"Non-Domestic Premises"**

means premises which are not Domestic Premises;

**“NIHE”**

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;

**“readily connected”**

in relation to a premises, means that the curtilage of that premises is within 50 metres of a low pressure pipe-line forming part of the Network, which pipe-line is either in operation or readily capable of being brought into operation; and

**“Small/Medium IC”**

means Non-Domestic Premises at which the normal annual consumption of gas is reasonably expected to exceed 73,250 kilowatt hours a year but not exceed 732,500 kilowatt hours a year.

### **Condition 3.2: Network Development**

#### **3.2.1 Development of the Network**

Subject to Conditions 3.2.2 and 3.2.4, the Licensee shall use reasonable endeavours to:

- (a) install and bring into operation (or make readily capable of being brought into operation) low pressure pipe-lines such that, in respect of any District and each financial year, the number of premises for each Connection Type that are readily connected by the end of that financial year is equal to or greater than 50% of the Annual Connection Type Target for that District and that financial year;
- (b) install and bring into operation (or make readily capable of being brought into operation) low pressure pipe-lines such that, in respect of any District and each financial year, the number of premises that are readily connected by the end of that financial year is equal to or greater than 50% of the Annual Total Target for that District and that financial year;
- (c) install and bring into operation (or make readily capable of being brought into operation) low pressure pipe-lines such that, in respect of each financial year, the aggregate number of premises in all the Districts that are readily connected by the end of that financial year is equal to or greater than 90% of the Cumulative Target for that financial year.

#### **3.2.2 Revising the Licensee's Obligations to Develop the Network**

- (a) The Authority may, at the request of the Licensee and as reasonably appropriate in all the circumstances, revise any Annual Connection Type Target for any District 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 Condition 3.2.1; 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 Condition 3.2.1;
  - (iii) the Licensee and Authority so agree.
- (b) Where by virtue of the provisions of Condition 3.2.2(a), an Annual Connection Type Target is revised, the revised Annual Connection Type Target shall be applied for the purposes of this Licence and the revision shall (to the extent applicable) modify the Relevant Conditions and Annex 2 to this Part 3.

### 3.2.3 General Development Plan

Without prejudice to the generality of any other provisions of this Licence, the Licensee shall in good faith pursue the general objectives of the General Development Plan set out in Annex 3 to this Part 3.

### 3.2.4 Loss of Exclusivity

Notwithstanding Condition 1.1.4, where in respect of any District the Licensee ceases to be entitled to exclusively convey gas by means of low pressure pipe-lines (in accordance with Schedule 3) in that District, the obligations set out in Conditions 3.2.1 and 3.2.3 shall cease to apply in respect of that District with effect from the date on which exclusivity for that District ceases.

### 3.2.5 Annual Development Plan Report

The Licensee shall, by no later than 1st of March of each year, provide to the Authority a report of its progress in:

- (a) the development of the Network (having regard to its obligations under Conditions 3.2.1 and 3.2.3); and
- (b) the development of the market for gas supplies (having regard to its obligations under Conditions 3.2.3 and 3.2.9) for (in each case) the financial

year that ended on 31st December of the previous year. The Licensee shall also set out in that report, for the three financial years following that financial year, its plans for developing the Network (having regard to its obligations under Conditions 3.2.1 and 3.2.3). The obligation to provide such a report shall cease in respect of the financial year commencing 1 January 2027 and each financial year thereafter.

### 3.2.6 Publication of Report

The Licensee shall, subject to any requirement to comply as is appropriate with the listing rules (within the meaning of Part VI of the Financial Services and Markets Act 2000) of the Stock Exchange and with Condition 3.2.7:

- (a) publish the report provided under Condition 3.2.5 in such form and manner as the Authority, having 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 any other person, 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.

### 3.2.7 Particular interests

In complying with the requirements of Condition 3.2.6, 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.

### 3.2.8 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.

### 3.2.9 Publication

- (a) The Licensee shall publish each of the following documents on its website and, in addition, using such other methods as the Authority may from time to time reasonably require: the District Development Plan and any revisions thereto.
- (b) Publication as required by Condition 3.2.9(a) shall be effected by the Licensee as soon as reasonably practicable, and in any event not more than:
  - (i) 6 months after the date of the Grant of the Licence in the case of the District Development Plan; and
  - (iii) 1 month after the date of the making thereof in the case of any revisions.
- (c) The Licensee shall, in addition, provide a copy of any document referred to in Condition 3.2.9(a) to any person requesting 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.

### **Condition 3.3: Provision of Information Concerning Market Development**

#### **3.3.1 Additional duty to provide information**

The Licensee shall, in respect of each financial year, advise the Authority, by its report given under Condition 3.2.5 whilst that Condition applies, and thereafter by a report provided to the Authority no later than 1st of March each year, of:

- (a) the number of requests made by gas suppliers and owners or occupiers of premises to connect premises to the Network in that financial year (distinguishing between domestic consumers and non domestic consumers);
- (b) the number of connections to the Network made or agreed to be made by the Licensee in that financial year;
- (c) the length and route of pipe-lines comprising the Network installed by the Licensee in that financial year and each District (and whether or not it was at operational pressure in any period); and
- (d) capital expenditure in that financial year on pipe-lines, gas plant, and other apparatus utilised in the Licensed Business, in aggregate for the Licensed Area and individually in respect of each District.

### **Condition 3.4: Provision of Information**

#### **3.4.1 Provision of information**

The Licensee shall, on request, promptly provide any other person holding a licence or exemption to convey or store gas with such information as that person may reasonably require in order to ensure that the conveyance or storage of gas by such person may be conducted in a manner compatible with the secure and efficient operation of the System.

#### **3.4.2 Definition of “System”**

For the purposes of this Condition 3.4, “System” means:

- (a) any high pressure pipe-lines;
- (b) any low pressure pipe-lines; and/or
- (c) facilities for the storage of gas;

which are directly or indirectly connected to the Network; together with any other ancillary services or facilities necessary for providing access to the conveyance of gas through the Network.

**Condition 3.5: Prohibition on conveyance by means of high pressure pipe-lines**

3.5.1 Prohibition

The Licensee shall not participate in the conveyance of gas by means of high pressure pipe-lines.

### **Condition 3.6: Undertaking from ultimate controller**

#### **3.6.1 Obligation to procure undertaking**

The Licensee shall procure, from each person (if any) which is at any time an ultimate controller of the Licensee, a legally enforceable undertaking:

- (a) in favour of the Licensee;
- (b) in such form as is approved by the Authority;
- (c) within 7 days of the grant of this Licence or the person in question becoming an ultimate controller of the Licensee (whichever is the later);
- (d) that will remain in force until a further undertaking expressly stated to replace that undertaking is provided in accordance with this Condition 3.6; and
- (e) that the person in question will secure that the Licensee has available to it all such resources (including, without limitation, management and financial resources, personnel, fixed and moveable assets, rights, consents and facilities), on such terms, and with all such rights, as shall ensure that the Licensee is at all times able properly and efficiently to carry on the Licensed Business in compliance with the Order, the Energy Order and the Licence.

#### **3.6.2 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 3.6.1;
- (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.

### 3.6.3 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 at a time when,

- (a) an undertaking complying with Condition 3.6.1 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 3.6.2(c).

### 3.6.4 Definitions.

In this Condition 3.6, the following expressions shall have the following meanings:

**“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 paragraph (b)(i) and/or (b)(ii) above.

**“holding company”**

has the same meaning as given to it in section 1159 of the Companies Act 2006.

### **Condition 3.7: Asset Management**

#### **3.7.1 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.

#### **3.7.2 Duties in relation to the Asset Management System**

For the purposes of Condition 3.7.1, 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 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 3.8: Relevant conditions**

#### **3.8.1 Exclusivity – Relevant Conditions**

For the purposes of Articles 9(5) and (6) of the Order and of Schedule 3 to this Licence, the following conditions of this Licence shall be “relevant conditions”:

- (c) Conditions 1.2.3 and 1.2.4;
- (d) Conditions 1.10, 1.11 and 1.12;
- (e) Conditions 2.2.4 (but excluding Condition 2.2.4(c)), 2.2.5 and 2.2.6;
- (f) Conditions 2.3.5 (but excluding Condition 2.3.5(c)), 2.3.8 and 2.3.11;
- (g) Conditions 2.5.1, 2.5.2, 2.5.3 and 2.5.4;
- (h) Condition 3.2.1, 3.2.3 and 3.2.5; and
- (i) Conditions 3.3, 3.4, 3.5, 3.6 and 3.7.

### **Annex 1 to Part 3**

#### **AREA COVERED BY THE DISTRICT DEVELOPMENT PLAN**

The District Development Plan relates to the following Electoral Wards comprised in the following District Councils:

<b>District Council: Cookstown</b>	
<b>Electoral Wards</b>	
95KK01	Ardboe
95KK02	Coagh
95KK03	Dunnamore
95KK04	Gortalowry
95KK05	Killycolpy
95KK06	Killymoon
95KK07	Lissan
95KK08	Moneymore
95KK09	Newbuildings
95KK10	Oaklands
95KK11	Oldtown
95KK12	Pomeroy
95KK13	Sandholes
95KK14	Stewartstown
95KK15	The Loop
95KK16	Tullagh
<b>District Council: Dungannon</b>	
<b>Electoral Wards</b>	
95OO01	Altmore
95OO02	Augher
95OO03	Aughnacloy
95OO04	Ballygawley
95OO05	Ballysaggart
95OO07	Caledon
95OO08	Castlecaulfield
95OO09	Clogher
95OO10	Coalisland North
95OO11	Coalisland South
95OO12	Coalisland West and Newmills
95OO13	Coolhill
95OO14	Donaghmore
95OO15	Drumglass
95OO16	Fivemiletown
95OO17	Killyman
95OO18	Killymeal
95OO20	Moygashel
95OO21	Mullaghmore
95OO22	Washing Bay
<b>District Council: Fermanagh</b>	

<b>Electoral Wards</b>	
95PP01	Ballinamallard
95PP02	Belcoo and Garrison
95PP03	Belleek and Boa
95PP04	Boho Cleenish and Letterbreen
95PP05	Brookeborough
95PP06	Castlecoole
95PP07	Derrygonnelly
95PP08	Derrylin
95PP09	Devenish
95PP10	Donagh
95PP11	Erne
95PP12	Florence Court and Kinawley
95PP13	Irvinestown
95PP14	Kesh Ederney and Lack
95PP15	Lisbellaw
95PP16	Lisnarrick
95PP17	Lisnaskea
95PP18	Maguires Bridge
95PP19	Newtownbutler
95PP20	Portora
95PP21	Rosslea
95PP22	Rossorry
95PP23	Tempo
<b>District Council: Magherafelt</b>	
<b>Electoral Wards</b>	
95TT01	Ballymaguigan
95TT02	Bellaghy
95TT03	Castledawson
95TT04	Draperstown
95TT05	Glebe
95TT06	Gulladuff
95TT07	Knockcloghrim
95TT08	Lecumpher
95TT09	Lower Glenshane
95TT10	Maghera
95TT11	Swatragh
95TT12	Tobermore
95TT13	Town Parks East
95TT14	Town Parks West
95TT15	Upperlands
95TT16	Valley
<b>District Council: Omagh</b>	
<b>Electoral Wards</b>	
95YY01	Beragh
95YY02	Camowen
95YY03	Clanabogan
95YY04	Coolnagard

95YY05	Dergmoney
95YY06	Dromore
95YY07	Drumnakilly
95YY08	Drumquin
95YY09	Drumragh
95YY10	Fairy Water
95YY11	Fintona
95YY12	Gortin
95YY13	Gortrush
95YY14	Killiclogher
95YY15	Lisanelly
95YY16	Newtownsaville
95YY17	Owenkillew
95YY18	Sixmilecross
95YY19	Strule
95YY20	Termon
95YY21	Trillick
<b>District Council: Strabane</b>	
<b>Electoral Wards</b>	
95ZZ01	Artigarvan
95ZZ02	Ballycolman
95ZZ03	Castlederg
95ZZ04	Clare
95ZZ05	Dunnamanagh
95ZZ06	East
95ZZ07	Finn
95ZZ08	Glenderg
95ZZ09	Newtownstewart
95ZZ10	North
95ZZ11	Plumbridge
95ZZ12	Sion Mills
95ZZ13	Slievekirk
95ZZ14	South
95ZZ15	Victoria Bridge
95ZZ16	West
<b>District Council: Derry</b>	
<b>Electoral Wards</b>	
95MM03	Banagher
95MM09	Claudy

## Annex 2 to Part 3

### DISTRICT DEVELOPMENT PLAN

District	Connection Type	District Annual Target/ Financial Year									
		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Cookstown	Large/ Contract IC	1	3	6	7	7	7	7	7	7	7
	Small/ Medium IC	7	28	39	56	72	88	106	122	139	155
	NIHE	32	129	161	193	225	257	270	283	296	309
	Domestic New Build	0	0	36	72	108	144	198	234	270	306
	Domestic Owner Occupied and Private Rented	41	164	328	430	533	635	737	840	942	1,045
Total		81	324	570	758	945	1,131	1,318	1,486	1,654	1,822
Dungannon	Large/ Contract IC	1	4	11	15	15	15	15	15	15	15
	Small/ Medium IC	6	26	37	54	69	85	101	117	132	149
	NIHE	53	214	269	322	375	430	451	472	494	515
	Domestic New Build	0	0	54	125	196	267	338	427	498	569
	Domestic Owner Occupied and Private Rented	64	256	512	672	832	992	1,152	1,311	1,472	1,632
Total		124	500	883	1,188	1,487	1,789	2,057	2,342	2,611	2,880
Fermanagh	Large/ Contract IC	1	4	9	12	12	12	12	12	12	12
	Small/ Medium IC	4	19	28	40	51	63	74	87	98	110
	NIHE	43	174	217	261	304	348	365	382	400	417
	Domestic New Build	0	0	42	70	98	139	167	195	237	278
	Domestic Owner Occupied and Private Rented	55	220	440	578	716	853	991	1,128	1,266	1,404
Total		103	417	736	961	1,181	1,415	1,609	1,804	2,013	2,221
Magherafelt	Large/ Contract IC	1	1	4	7	7	7	7	7	7	7
	Small/ Medium IC	5	21	29	41	54	66	78	91	103	116
	NIHE	23	92	115	138	161	184	193	202	212	221
	Domestic New Build	0	0	22	44	66	100	122	144	177	211
	Domestic Owner Occupied and Private Rented	29	118	237	311	385	458	532	606	680	754
Total		58	232	407	541	673	815	932	1,050	1,179	1,309
Omagh	Large/ Contract IC	1	3	11	16	16	16	16	16	16	16
	Small/ Medium IC	6	26	36	51	66	82	97	113	128	142
	NIHE	61	244	305	366	427	488	512	537	561	586
	Domestic New Build	0	0	46	92	161	207	253	299	367	436
	Domestic Owner Occupied and Private Rented	73	295	589	774	958	1,142	1,326	1,510	1,695	1,879
Total		141	568	987	1,299	1,628	1,935	2,204	2,475	2,767	3,059
Strabane	Large/ Contract IC	1	1	3	5	5	5	5	5	5	5
	Small/ Medium IC	3	14	20	28	37	44	53	62	70	79
	NIHE	52	209	262	314	366	418	439	460	481	502
	Domestic New Build	0	0	37	55	91	109	127	164	182	200
	Domestic Owner Occupied and Private Rented	41	164	328	431	534	636	739	842	944	1,047
Total		97	388	650	833	1,033	1,212	1,363	1,533	1,682	1,833
Cumulative Target		604	2,429	4,233	5,580	6,947	8,297	9,483	10,690	11,906	13,124

District	Connection Type	District Annual Target/ Financial Year									
		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cumulative Target		14260	15 553	16 845	18 143	19 436	20 732	22 027	23 321	24 615	25 913

District	Connection Type	District Annual Target/ Financial Year									
		2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Cumulative Target		27,205	28,237	29,263	30,295	31,324	32,351	33,381	34,410	35,440	36,470

District	Connection Type	District Annual Target/ Financial Year									
		2047	2048	2049	2050	2051	2052	2053	2054	2055	2056
Cumulative Target		37498	37 767	38 035	38 304	38 572	38 841	39 109	39 378	39 648	39 918

### **Annex 3 to Part 3**

#### **GENERAL DEVELOPMENT PLAN**

The Licensee has prepared this General Development Plan for the introduction of natural gas to the west of Northern Ireland. The plan reflects the strengths of the Licensee's parent organisation and the Licensee's ambition to establish Scotia Gas Networks Northern Ireland Ltd as a leading network in Northern Ireland's natural gas industry, and brings:

- benchmark standards of health, safety and care for the environment in all aspects of gas conveyance and associated services.
- first class engineering skills in the design, construction, planning, operation, control and maintenance of gas distribution systems.
- experience in comprehensive customer care charters and working with consumer organisations, government agencies and other stakeholder groups affected by gas related activities.
- a proven track record in developing and managing gas connections, in highly competitive GB markets and areas of fuel poverty.
- financial strength.
- extensive experience of procurement and contracting .
- involvement in the transition to modern metering arrangements.
- access to technical know-how in all types of gas utilisation including Combined Heat and Power (CHP) ensuring highest thermal efficiencies and safety.
- long term employment supported by high quality training of local employees.
- experience of operating in a developing regulatory regime.
- access to innovative research in the gas industry with strong links to international technology developers and further education establishments.
- a commitment to ensuring equal opportunities for all.

The Licensee will develop and operate an efficient and economic gas transportation infrastructure in accordance with this plan. It will spread the major benefits of natural gas to the Licensed Area including environmental improvements, local employment, energy efficiency and fuel choice for all sectors of the domestic, commercial and business markets. The developing infrastructure will allow for the introduction of new businesses providing services to the natural gas industry and those dependent upon natural gas as a primary fuel.

The plan assumes the construction of new high pressure pipelines (by the High Pressure Licence holder) which will be supported by the installation of a Distribution Feeder system to supply the Districts included in the Licence. This will be followed by the development of local gas distribution systems that will make natural gas available to domestic, industrial and commercial users.

## **1. Introduction**

The Licensee has the necessary skills to ensure the construction and operation of a safe and economic distribution network that brings the advantages of choice, increased energy competition, convenience and environmental improvements to potential natural gas consumers in western towns in Northern Ireland. The plan concentrates on the provision of natural gas in the towns of Strabane, Dungannon, Coalisland, Cookstown, Magherafelt, Omagh, Enniskillen and Derrylin but does not preclude the Licensee seeking to pursue developments elsewhere within the Licensed Area.

## **2. Company Structure**

The Licensee is a wholly owned subsidiary of SGN Ltd, who own and operate over 74,000km of gas mains in Scotland and the south of England and have the responsibility to deliver gas safely, reliably, and efficiently to 5.8 million customers. The Licensee will operate from a base in Northern Ireland and establish a strong local presence that will be suitably supported by SGN group capabilities. In keeping with Northern Ireland employment legislation and equality guidelines, the Licensee will seek to develop the natural gas industry using employees, contractors and service providers from the local area.

## **3. Market and Infrastructure Development**

The Licensee is mindful of the challenge to establish natural gas in the energy market and to promote confidence in natural gas as a safe alternative energy source within the Licensed

Area. The Licensee will build on the Licensee's group experiences in GB to involve key stakeholders and customer groups to ensure their needs are met and to use their views to inform and influence the Licensee's development and marketing plans. While engaging with local partners from the public and private sectors, the Licensee will also consult with national bodies to shape the Licensee's marketing message and work with other gas transporters and suppliers to more widely promote the natural gas industry in Northern Ireland.

The Licensee will look to build relationships with suppliers, heating installers and other organisations to provide downstream solutions for all sectors of the market, promoting natural gas as the fuel of choice. Proactive engagement with these partners, community groups and representative bodies, will identify areas, households, or businesses that require connections and ensure the Licensee's development plans and infrastructure roll out remain appropriate and reactive to local needs.

## **4. Organisation**

### **4.1 General Business Approach**

Throughout the Licensee's activities the Licensee will operate to the highest standards of safety and customer service. The Licensee will promote operational excellence and a strong focus on communication and commercial management, encouraging collaboration with the Licensee's contractors and suppliers to achieve the most economic construction of the distribution network and the installation of gas equipment and related services.

The Licensee will use the best available technology and draw on the highly successful innovative arrangements the Licensee has developed in collaboration with other industry participants. This practice extends to developments which improve supply and system management as well as collaborative schemes aimed at reducing both the costs and impact of street-works. These schemes encourage collaboration with contractors and suppliers to achieve the most efficient construction of complex distribution systems along with the installation of gas equipment and related services.

### **4.2 Engineering Work**

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 distribution system will be the Licensee's first priority. The system will be constantly monitored by electronic sensors at District Pressure Reduction sites with information relayed to a central "grid control". Other key locations will be monitored remotely on a daily basis.

A centre providing a single point of contact for all reported emergency situations from consumers, the general public and developers will be available. The centre will have the responsibility of efficiently managing gas escapes and other emergency situations through interfacing with local management to ensure the dispatch of appropriately skilled resources within the required response times.

Whilst the majority of this work will be carried out by fully trained and 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**

The Licensee will work with gas suppliers to install, manage and maintain a range of metering systems that will comply with licence obligations and meet the needs of gas suppliers and consumers. These will include both standard credit meters and "pay as used" meters for domestic users and meter systems including options for Automatic Meter Reading and Energy Management Systems for some industrial and commercial users.

The Licensee will also respond to fault situations involving metering systems to ensure that the inconvenience associated with unavailability of supply are addressed. This installation and maintenance requires some specialist skills which will be developed by the Licensee.

The Licensee will also provide systems and services to support the smooth transition between suppliers where consumers wish to transfer.

### **4.5 Domestic Customer Installation Work**

Installation work in customer premises is a specialist area. The registration scheme for gas installers (Gas safe) in Northern Ireland is welcomed by the Licensee to facilitate the development of a pool of contractors qualified to work on natural gas installations and appliances. The Licensee will establish an Approved Installers List (AIL) from which customers may select installers to undertake work in their properties.

The Licensee will also establish relationships with gas suppliers, technology providers and organisations promoting energy efficiency to ensure a proactive approach to the provision of gas connections, gas appliances and conversions.

#### **4.6 Industrial and Commercial Service**

Encouraging connections within the industrial and commercial sector is important and will be reflected in the Licensee's marketing strategy. Notwithstanding the complexities of providing the connections infrastructure, the Licensee recognises specialist utilisation skills will be required within the sector for both appliance installation and conversion work.

The Licensee will therefore engage with business users to bring together the necessary skills to influence decision making and ensure that the supply and metering installation is co-ordinated with the down-stream installation.

### **5. Training**

To meet the licence obligations and relevant objectives in the Licensed Area requires a highly skilled and competent work-force. To meet that need the Licensee will encourage the employment of local people and ensure that the necessary training and assessment is available.

Training programmes will be developed to ensure that changes in legislative requirements, industry practices, company policies and procedures, Licence Conditions and general employee development requirements are supported.

These programmes will be delivered utilising a range of training options including both internal and external training provision. The Licensee will consider the use of local training providers in Northern Ireland where appropriate to provide the necessary skills training.

## **PART 4: THE PRICE CONTROL CONDITIONS**

### **Condition 4.1: Charging methodology for the conveyance of gas**

- 4.1.1 The price control set out in this Part 4 allows the Licensee to recover Expenditure reasonably expected to be incurred and the designated rate of return,  $r_t$ , over the duration of the relevant recovery period.
- 4.1.2 The Licensee shall use all reasonable endeavours to set the Controlled Charges so as to ensure that, in respect of each Formula Year, they satisfy:
- (a) the constraint set out in Condition 4.2 (the “Primary Constraint”); and
  - (b) the constraint set out in Condition 4.3 (the “Supplemental Constraint”).
- 4.1.3 The values attributable to the Primary Constraint and Supplemental Constraint shall from time to time be established following a process of Review in accordance with:
- (a) Condition 4.4 (Periodic Reviews); or
  - (b) Condition 4.7 (Special Reviews),
- but without prejudice to the ability of the Authority to modify those values, or any of the provisions of this Part 4, at any time in accordance with Article 14 and Article 14A of the Order.
- 4.1.4 At the beginning of each Review, the Licensee shall submit to the Authority, in accordance with Conditions 4.5 and 4.6, its best estimate of the values that the Licensee believes the Authority should designate, at the conclusion of the Review, for the purposes of the Primary Constraint and the Supplemental Constraint.
- 4.1.5 The designated values applying from time to time, for the purposes of the Primary Constraint and the Supplemental Constraint, will be those set out in Condition 4.11.
- 4.1.6 Following each Formula Year, the Licensee shall provide information to the Authority in accordance with Condition 4.10, showing whether or not the Controlled Charges for that Formula Year did satisfy the Primary and Supplemental Constraints.
- 4.1.7 Words, phrases and terms of formulae used in this Part 4 shall, where not defined in Condition 1.1 of this Licence, bear the meanings ascribed to them in Condition 4.12.

## **Condition 4.2: The Primary Constraint**

4.2.1 This Condition 4.2 establishes the Primary Constraint.

### **Purpose and Effect of the Primary Constraint**

4.2.2 The principal purpose of the Primary Constraint is to provide that the regulated revenue recovered by the Licensee in any year in respect of each category of customer does not exceed the sum (with reference to the allowed prices established at the completion of the last price control review) that it is allowed to recover in that year in respect of that category of customer.

4.2.3 However, the Primary Constraint allows for the recovery of revenue in excess of the sum allowed in respect of any category of customer in any year (an over-recovery) to the extent that the revenue in respect of the other categories of customer in that year together with revenues in respect of earlier years are less than the sums allowed (an accumulated under-recovery).

4.2.4 The Primary Constraint contains mechanisms which may restrict the extent to which any over-recovery for one category of customer is capable of being set-off against an under-recovery for the other categories of customer

4.2.5 The Primary Constraint also provides that:

- (a) the value of any aggregate under-recovery in respect of earlier years that may be used to offset an over-recovery is calculated after making allowance for a compounding rate of return (subject to a mechanism by which the compounding rate of return may be limited); and
- (b) the value of any aggregate over-recovery in respect of earlier years that must be offset by an under-recovery is calculated after making allowance for a compounding rate of return (subject to a mechanism by which the compounding rate of return may be raised).

### **The Primary Constraint**

4.2.6 The Primary Constraint, in respect of each Formula Year  $t$ , is represented by the formula:

$$\sum_{all\_i} \max( (1 - \delta_{E,t}) \cdot Z_{F,i,t} , Z_{F,i,t} ) + Z_{U,t} \leq 0$$

4.2.7 In Condition 4.2.6:

$\sum_{all\_i}$  means the summation of the values for each Conveyance Category  $i$ ;

$Z_{F,i,t}$  has the meaning given in Conditions 4.2.8 and 4.2.9, and is calculated in accordance with Condition 4.2.10;

$Z_{U,t}$  has the meaning given in Conditions 4.2.25 and 4.2.26 and is calculated in accordance with Condition 4.2.27; and

$\delta_{E,t}$  is the Designated Parameter of that name in respect of Formula Year  $t$ , which is established for the purposes set out at Condition 4.2.20 and 4.2.21.

#### **The $Z_{F,i,t}$ Term**

4.2.8 The principal purpose of the term  $Z_{F,i,t}$  is, in respect of Conveyance Category  $i$  for Formula Year  $t$ , to:

- (a) establish the value of any:
  - (i) under-recovery of revenue (being the extent to which Actual Revenue is less than Allowed Revenue); or
  - (ii) over-recovery of revenue (being the extent to which Actual Revenue exceeds Allowed Revenue); and
- (b) adjust that value by reference to any under-recovery or over-recovery in respect of that Conveyance Category  $i$  accumulated in years prior to Formula Year  $t$ .

4.2.9 The effect of the term  $Z_{F,i,t}$  is to establish a value for the accumulated under-recovery or over-recovery of revenue in respect of Conveyance Category  $i$  up to and including Formula Year  $t$ .

**Calculating  $Z_{F,i,t}$**

- 4.2.10  $Z_{F,i,t}$  shall be calculated in accordance with the following formula (where a positive value denotes an over-recovery and a negative value denotes an under-recovery):

$$Z_{F,i,t} = \left( (P_{F,i,t} - P_{E,i,t} \frac{RPI_{iy_t}}{RPI_E}) \cdot V_{F,i,t} \cdot \Gamma_{F,t} \right) + \hat{Z}_{F,i,t-1} \cdot (1 + \bar{r}_{t-1})$$

- 4.2.11 For the purposes of Condition 4.2.10:

$P_{F,i,t}$  is the Actual Revenue Per Unit in respect of Conveyance Category  $i$  for Formula Year  $t$  (which amount cannot, for the avoidance of doubt, be negative);

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

$RPI_{iy_t}$  is the sum of the values of the Retail Prices Index for each month in Formula Year  $t$  divided by twelve (in order to establish a mean value for RPI during that Formula Year);

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

$V_{F,i,t}$  is the Actual Volume in respect of Conveyance Category  $i$  for Formula Year  $t$ ;

$\Gamma_{F,t}$  has the meaning given in Conditions 4.2.12 and 4.2.13 and is calculated in accordance with Conditions 4.2.14 and 4.2.15; and

$\bar{r}_{t-1}$  has the meaning given in Condition 4.2.16 and 4.2.17 and is calculated in accordance with Condition 4.2.18 and 4.2.19.

$\hat{Z}_{F,i,t-1}$  has the meaning given in Conditions 4.2.22 and 4.2.23 and is calculated in accordance with Condition 4.2.24

### **The $\Gamma_{F,t}$ Term**

- 4.2.12 The principal purpose of the term  $\Gamma_{F,t}$  is, where the volumes of gas conveyed by the Licensee in Formula Year  $t$  are higher than those determined at the time of the last Review, to restrict the extent to which the value of any under-recovery of revenue in respect of that year may be counted for the purposes of the Primary Constraint.
- 4.2.13 The effect of the term  $\Gamma_{F,t}$  is, in the circumstances in which it applies, to limit the value of the under-recovery that may be carried forward in proportion to the extent to which the Actual Volume in respect of Formula Year  $t$  exceeds the Determined Volume in respect of that year.

### **Calculating $\Gamma_{F,t}$**

- 4.2.14 The value of  $\Gamma_{F,t}$  shall be deemed to be equal to 1 (one), except where both of the following apply:
- (a) the Actual Volume in Formula Year  $t$  is greater than the Determined Volume in respect of that year, namely:

$$\sum_{all\_i} V_{F,i,t} > \sum_{all\_i} V_{E,i,t} ; \text{ and}$$

- (b) the Actual Revenue for the same Formula Year  $t$  is less than the sum of the Allowed Revenues for each Conveyance Category and that year when multiplied by  $\frac{RPI_{iy_t}}{RPI_E}$  (in order to adjust the Allowed Revenue for the effect of inflation), namely:

$$\sum_{all\_i} \left( \left( P_{F,i,t} - P_{E,i,t} \frac{RPI_{iy_t}}{RPI_E} \right) \cdot V_{F,i,t} \right) < 0$$

- 4.2.15 Where both paragraphs (a) and (b) of Condition 4.2.14 apply, the value of  $\Gamma_{F,t}$  shall be calculated in accordance with the following formula:

$$\Gamma_{F,t} = \frac{\sum_{all\_i} V_{E,i,t}}{\sum_{all\_i} V_{F,i,t}}$$

for the purposes of which:

$V_{F,i,t}$  is the Actual Volume in respect of Conveyance Category  $i$  and Formula Year  $t$ ; and

$V_{E,i,t}$  is the Determined Volume in respect of Conveyance Category  $i$  and Formula Year  $t$ .

### **The $\bar{r}_{t-1}$ Term**

4.2.16 The principal purpose of the term  $\bar{r}_{t-1}$  is to adjust the value of any accumulated under-recovery or over-recovery in relation to Formula Year  $t-1$  (when such accumulated under-recovery or over-recovery is being carried forward for the purposes of the Primary Constraint) by reference to the rate of return applying in respect of that year.

4.2.17 The secondary purpose of the term  $\bar{r}_{t-1}$  is to provide a mechanism by which the rate of return applying for the purpose described in Condition 4.2.16 may be adjusted so as:

- (a) to either increase or decrease the value of any accumulated under-recovery or over-recovery of revenue that is carried forward; and
- (b) thereby to provide an incentive or disincentive (as the case may be) in respect of the accumulation of such under-recovery or over-recovery of revenue.

4.2.18 The value of  $\bar{r}_{t-1}$  shall be calculated in accordance with the following formulae:

(a) where 
$$\sum_{all\_i} Z_{F,i,t-1} + Z_{U,t-1} \geq 0$$

then 
$$\bar{r}_{t-1} = ((1 + r_{E,t-1}) \cdot \frac{RPIy_t}{RPIy_{t-1}}) - 1 + x_{O,t-1}$$

(b) where  $\sum_{all\_i} Z_{F,i,t-1} + Z_{U,t-1} < 0$

then  $\bar{r}_{t-1} = LIBOR_{1year,t-1} + 0.02 - x_{U,t-1}$

4.2.19 For the purposes of Condition 4.2.18:

$\sum_{all\_i}$  means the summation of the values for each Conveyance Category  $i$ ;

$r_{E,t-1}$  is the designated rate of return in respect of Formula Year  $t-1$ ;

$LIBOR_{1year,t-1}$  is the average GBP interbank lending rate with a 12 month period of maturity during Formula Year  $t-1$ . Calculated by averaging the 1 year LIBOR rates in GBP, on the 15 February, 15 May, 15 August and 15 November of year  $t-1$ ; if LIBOR is not set on any of these days then the last figure set before the day is used;

$x_{O,t-1}$  is a Designated Parameter that applies in respect of Formula Year  $t-1$ , being the mechanism by which the increase referred to in Condition 4.2.17 may be achieved in respect of the value of any accumulated over-recovery of revenue to be carried forward from that year; and

$x_{U,t-1}$  is a Designated Parameter that applies in respect of Formula Year  $t-1$ , being the mechanism by which the decrease referred to in Condition 4.2.17 may be achieved in respect of the value of any accumulated under-recovery of revenue to be carried forward from that year.

### The $\delta_{E,t}$ Term

4.2.20 The purpose of the term  $\delta_{E,t}$  is to provide a mechanism by which:

- (a) the value of any under-recovery of revenue in respect of Conveyance Category  $i$  and Formula Year  $t$  may, for the purpose of the Primary Constraint, be subject to reduction; and

- (b) in consequence of that reduction, there is a limitation on the extent to which the value of any over-recovery in respect of a different Conveyance Category  $i$  for the same Formula Year  $t$  may be set-off under the Primary Constraint.

4.2.21 The effect of the term  $\delta_{E,t}$ , if it is determined as a value greater than zero, is to restrict the extent to which under the Primary Constraint an under-recovery of revenue in one Conveyance Category may be set-off against an over-recovery of revenue in any other Conveyance Category.

#### **The $\hat{Z}_{F,i,t-1}$ Term**

4.2.22 The principal purpose of the term  $\hat{Z}_{F,i,t-1}$  is, in respect of Conveyance Category  $i$  for Formula Year  $t-1$ , to secure that the Licensee is not retrospectively disadvantaged in the event that  $\delta_{E,t}$  is designated (e.g. at a Periodic Review) to be greater than  $\delta_{E,t-1}$ . Such a disadvantage would otherwise arise since the increase in  $\delta_{E,t}$  would, other things being equal, have the effect of increasing the calculated value of the term in Condition 4.2.6 (the Primary Constraint) and thus may require the Licensee to take remedial action that would otherwise not be necessary.

4.2.23 The effect of the term  $\hat{Z}_{F,i,t-1}$  is to establish an adjusted value of any accumulated under-recovery or over-recovery of revenue up to and including Formula Year  $t-1$  attributed to Conveyance category  $i$  in the event that  $\delta_{E,t}$  is designated to be greater than  $\delta_{E,t-1}$ . The residual value of such adjustments are separately accumulated in the unallocated term  $Z_{U,t}$  described in Condition 4.2.25 and 4.2.26 and calculated in accordance with 4.2.27.

#### **Calculating $\hat{Z}_{F,i,t-1}$**

4.2.24  $\hat{Z}_{F,i,t-1}$  shall be calculated in accordance with the following formula (where a positive value denotes an over-recovery and a negative value denotes an under-recovery):

If  $\delta_{E,t}$  is designated to be greater than  $\delta_{E,t-1}$ :

$$\hat{Z}_{F,i,t-1} = Z_{F,i,t-1} \cdot \frac{\delta_{E,t-1}}{\delta_{E,t}}$$

Otherwise:

$$\hat{Z}_{F,i,t-1} = Z_{F,i,t-1}$$

### **The $Z_{U,t}$ Term**

- 4.2.25 The principal purpose of the term  $Z_{U,t}$  is to accumulate the net value of adjustments in respect of all Conveyance Categories  $i$  calculated in accordance with Condition 4.2.24 so that the calculated value of the term in Condition 4.2.6 (the Primary Constraint) is not retrospectively affected in the event that  $\delta_{E,t}$  is designated to be greater than  $\delta_{E,t-1}$ .
- 4.2.26 The effect of the term  $Z_{U,t}$  is to establish a value for the accumulated under-recovery or over-recovery of revenue that is not attributed to any Conveyance Category  $i$  in Formula Year  $t$  on account of adjustments made in accordance with Condition 4.2.24, taking into account:
- (a) the value of  $Z_{U,t-1}$  accumulated up to Formula Year  $t-1$ , i.e. before taking into account adjustments in the calculation of  $\hat{Z}_{F,i,t-1}$  in accordance with Condition 4.2.24 on account of the designated value of  $\delta_{E,t}$ ;
  - (b) the residual value of adjustments in the calculation of  $\hat{Z}_{F,i,t-1}$  in accordance with Condition 4.2.24; and
  - (c) the effects of indexation and the rate of return on the value carried forward to Formula Year  $t$ .

### ***Calculating $Z_{U,t}$***

- 4.2.27  $Z_{U,t}$  shall be calculated in accordance with the following formula (where a positive value denotes an over-recovery and a negative value denotes an under-recovery):

$$Z_{U,t} = \left( \sum_{all\_i} (Z_{F,i,t-1} - \hat{Z}_{F,i,t-1}) + Z_{U,t-1} \right) \cdot (1 + \bar{r}_{t-1}) \frac{RPIiy_t}{RPIiy_{t-1}}$$

**Further adjustments to  $Z_{F,i,t}$  and  $Z_{U,t}$**

- 4.2.28 In respect of any Formula Year  $t$ , the Licensee may propose and the Authority may, at its discretion, accept further adjustments to  $Z_{F,i,t}$  such that the effect of those adjustments is neutral in respect of the operation of the Primary Constraint. In the event of such adjustments being proposed and accepted in respect of Formula Year  $t$ , the values of  $Z_{F,i,t}$  and  $Z_{U,t}$  in all subsequent years' calculations shall be deemed to be the values after adjustments under this Condition. The operation of the Primary Constraint is not dependent on any such adjustments being made. Appropriate adjustments may include the reallocation of the value of  $Z_{U,t}$  (which would generally be negative and have the effect of offsetting a positive  $Z_{F,i,t}$  in the calculation of the Primary Constraint) to any  $Z_{F,i,t}$  which are expected to remain positive.

### **Condition 4.3: Supplemental Constraint**

4.3.1 This Condition 4.3 establishes the Supplemental Constraint

#### **Purpose and Effect of the Supplemental Constraint**

4.3.2 The purpose of the Supplemental Constraint is to provide that the total regulated revenue recovered by the Licensee in any year does not exceed the sum that it is allowed to recover in that year (as established at the completion of the last price control review) by more than a fixed margin set at that review.

4.3.3 The effect of the Supplemental Constraint is to limit the ability of the Licensee to set its charges so as to give rise to an aggregate over-recovery of revenue, notwithstanding that it may have accumulated an under-recovery in previous years against which that over-recovery may be set-off for the purposes of the Primary Constraint.

#### **The Supplemental Constraint**

4.3.4 The Supplemental Constraint, in respect of each Formula Year  $t$ , is represented by the formula:

$$\sum_{all\_i} (P_{F,i,t} \cdot V_{F,i,t}) \leq (1 + \alpha_{E,t}) \cdot \sum_{all\_i} (P_{E,i,t} \cdot V_{F,i,t}) \frac{RPI_{iy_t}}{RPI_E}$$

4.3.5 For the purposes of Condition 4.3.4:

$\sum_{all\_i}$  means the summation of the values for each Conveyance Category  $i$ ;

$P_{F,i,t}$  is the Actual Revenue Per Unit in respect of Conveyance Category  $i$  for Formula Year  $t$ ;

$V_{F,i,t}$  is the Actual Volume in respect of Conveyance Category  $i$  for Formula Year  $t$ ;

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

$RPIiy_t$  is the sum of the values of the Retail Prices Index for each month in Formula Year  $t$  divided by twelve (in order to establish a mean value for RPI during that Formula Year);

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

$\alpha_{E,t}$  is the Designated Parameter of that name in respect of Formula Year  $t$ , which is established for the purpose set out at Condition 4.3.6.

#### **The $\alpha_{E,t}$ Term**

4.3.6 The purpose of the term  $\alpha_{E,t}$  is to establish the maximum permitted extent by which the sum of the Actual Revenues in respect of each Conveyance Category  $i$  and Formula Year  $t$  may exceed the sum of the Allowed Revenues in respect of each such category and that year (the over-recovery).

4.3.7 The effect of  $\alpha_{E,t}$ , where it is set at a value above zero, is to permit an aggregate over-recovery of revenue in any Formula Year but to limit it to a level determined by the value attributed to  $\alpha_{E,t}$ .

#### **Interaction of the Primary and Supplemental Constraints**

4.3.8 The Primary Constraint may allow the Licensee to recover under-recoveries in revenue and because the Primary Constraint cannot constrain the speed with which the Licensee makes corresponding over-recoveries in revenue, the Supplemental Constraint may be set to limit the extent to which the Licensee can make an over-recovery in revenue in any one Formula Year.

#### **Condition 4.4: Review Process & Disapplication Notices**

- 4.4.1 This Condition 4.4 sets out the process by which the core terms of the price control will be established by the Authority from time to time.

##### **The Review**

- 4.4.2 The Designated Parameters and the Determination Values applying in respect of each Formula Year  $t$  will be established in accordance with the process set out below (a “Review”).
- 4.4.3 A Review will take place:
- (a) at scheduled intervals by reference to the end of Formula Year  $t=n$  (a “Periodic Review”); and
  - (b) from time to time in accordance with Condition 4.7 (a “Special Review”).

##### **Terms Relevant to Reviews**

- 4.4.4 In respect of each Review (the “current Review”):

- $n$  is a Designated Parameter established (subject to Condition 4.7.2) by virtue of the preceding Review, and denotes the last Formula Year before new Determination Values and Designated Parameters are to be established as part of the current Review;
- $q$  is a Designated Parameter established by virtue of the preceding Review, and denotes the Formula Year up to which Best Available Values must be submitted in accordance with Condition 4.5 and 4.6;
- $m$  denotes the Formula Year identified by the Designated Parameter  $n$  applicable during the preceding Review (and, accordingly,  $t = m$  for any Review is the same as  $t = n$  for the preceding Review); and
- $a$  denotes the most recent Formula Year for which the Licensee has submitted Actual Values in accordance with Condition 4.10.

##### **The First Periodic Review**

4.4.5 Notwithstanding the other provisions of this Condition 4.4, the following provisions shall apply to the first Periodic Review alone:

- (a) for the purposes of the first Periodic Review, the Designated Parameter  $n$  shall be deemed to be the year ending on 31 December 2017;
- (b) unless and until they are modified, any Designated Parameters set out in Condition 4.11 at the time of Grant will be deemed to have been established as such at the first Periodic Review;
- (c) the Licensee shall provide to the Authority, by 30 June 2015 (or such later date as the Authority may agree) the Best Available Values for the first Periodic Review (calculated in accordance with Conditions 4.5 and 4.6) based on such proposed values of the Designated Parameters for the first Periodic Review as are notified to it by the Authority;
- (d) the value of  $TRV_n$  used for the purposes of the first Periodic Review (the opening asset value), shall be a value approved by the Authority as reflecting:
  - (i) that Capital Expenditure and Operating Expenditure indicated in the Application Pack, where relevant, as to be incurred by the Licensee in the period up to 1 January 2018, and which is reasonably incurred by the Licensee during that period,

minus

- (ii) any revenue received by the Licensee, whether in respect of the conveyance of gas through the Network (or any part of it) or otherwise, during the period up to 1 January 2018,

(adjusted for cost of capital at the rate of  $LIBOR_{1year,t-1} + 0.5\%$ , where  $LIBOR_{1year,t-1}$  is the average GBP interbank lending rate with a 12 month period of maturity during Formula Year  $t-1$ , calculated by averaging the 1 year LIBOR rates in GBP, on the 15 February, 15 May, 15 August and 15

November of year  $t-1$ ; if LIBOR is not set on any of these days then the last figure set before the day is used);

- (e) the Authority will, for the purposes of the first Periodic Review and having considered any Best Available Values submitted by the Licensee, determine the Determination Values and Designated Parameters to apply in those Formula Years  $t$  occurring during the period  $t = 1$  to  $t = q$  (inclusive) for the first Periodic Review by modifying Condition 4.11 in accordance with Articles 14(8) – (10) of the Order prior to 1 January 2018.

#### **Periodic Reviews Generally**

- 4.4.6 The Authority will, at each Review, 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) for that Review.
- 4.4.7 The Licensee shall provide to the Authority the Best Available Values (calculated in accordance with Conditions 4.5 and 4.6) in respect of each Periodic Review, together with the Licensee's proposed Designated Parameters for that Review, by whichever of the following dates occurs first:
  - (a) the date which falls 18 months prior to the end of each Formula Year  $t = n$ ;  
or
  - (b) where the Authority provides to the Licensee its proposed values of the Designated Parameters for that Review, the date which falls two months after those values are provided.
- 4.4.8 For each Special Review and in accordance with the timetable established by the Authority in accordance with Condition 4.7.6, the Licensee shall (to the extent directed to do so by the Authority in accordance with Condition 4.7.6) provide to the Authority Best Available Values for that Special Review (calculated in accordance with Conditions 4.5 and 4.6) and the Licensee's proposed Designated Parameters for that Special Review.
- 4.4.9 At the same time as it submits Best Available Values to the Authority in accordance with Condition 4.4.5(c), 4.4.7 or 4.4.8 (as applicable), the Licensee shall also provide

such further accompanying information, evidence and other data with regard to the values submitted and the assumptions underlying the relevant estimates and forecasts as will be reasonably sufficient to enable the Authority to be satisfied that the Best Available Values have been provided on a proper and consistent basis. The Licensee shall thereafter provide the Authority with any further such information, evidence or other data requested by the Authority.

- 4.4.10 The Authority will, at the conclusion of each Review and having considered any Best Available Values and proposed Designated Parameters submitted by the Licensee, determine the Determination Values and the Designated Parameters by modifying Condition 4.11 in accordance with Articles 14(8) – (10) of the Order. Such Determination Values and Designated Parameters shall be established having regard to any information provided to the Authority and any representations made to the Authority, including those previously made by the Licensee.

#### **Disapplication**

- 4.4.11 This Part 4 (the "Price Control Conditions") shall apply so long as this Licence continues in force but shall cease to have effect (in whole or in part, as the case may be) if the Licensee delivers to the Authority a request (a "Disapplication Request") made in accordance with Condition 4.4.13 and:

- (a) the Authority agrees in writing to the request; or
- (b) the application of the Price Control Conditions (or any part of them) is terminated by a notice (a "Disapplication Notice") given by the Licensee in accordance with Condition 4.4.14.

- 4.4.12 Save where the Authority otherwise agrees, no disapplication following delivery of a Disapplication Request shall have effect earlier than the date (the "Disapplication Date") which is the later of:

- (a) the date occurring 18 months after delivery of the Disapplication Request; and

- (b) the date 6 months after the end of the Formula Year denoted by the Designated Parameter  $n$  applying at the date the Disapplication Request was delivered.

4.4.13 A Disapplication Request pursuant to this Condition 4.4.13 shall:

- (a) be in writing addressed to the Authority;
- (b) specify the Price Control Conditions, or any part of them to which the request relates; and
- (c) state the date from which the Licensee wishes the Authority to agree that the Price Control Conditions or the specified part of them shall cease to have effect, which shall not be earlier than the Disapplication Date.

4.4.14 A Disapplication Notice pursuant to this Condition 4.4.14:

- (a) may be given in the circumstances described in either Condition 4.4.15 or Condition 4.4.16; and
- (b) where it is given, shall:
  - (i) be in writing addressed to the Authority;
  - (ii) specify the Price Control Conditions, or any part of them (which shall comprise only such part as was specified in the Disapplication Request) to which the notice relates; and
  - (iii) state the date from which the Licensee wishes the notice to take effect, which shall not be earlier than the Disapplication Date.

4.4.15 The circumstances described in this Condition 4.4.15 are that, by the beginning of the period of six months which will end with the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under Article 14(8) of the Order to modify:

- (a) the Price Control Conditions, or any part of them to which the request relates; or

- (b) Conditions 4.4.11 to 4.4.16, so as to remove the right of the Licensee to give to the Authority a Disapplication Notice.

4.4.16 The circumstances described in this Condition 4.4.16 are that:

- (a) by no later than the beginning of the period of six months which will end with the Disapplication Date, the Authority has in response to the Disapplication Request published a decision of a type referred to in Condition 4.4.15;
- (b) the Licensee has exercised its right to appeal to the CMA against that decision in accordance with Article 14B of the Order;
- (c) the CMA has, in respect of the provisions to which the Disapplication Request relates:
  - (i) quashed the decision of the Authority under Article 14E(2)(a) of the Order; and
  - (ii) neither remitted the matter back to the Authority under Article 14E(2)(b) of the Order nor substituted its own decision for that of the Authority under Article 14E(2)(c) of the Order; and
- (d) no more than 30 days has elapsed since the date on which the CMA quashed the decision of the Authority.

#### **Closing Regulatory Value**

4.4.17 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.

#### **Condition 4.5: Establishing the Best Available Values**

4.5.1 The Licensee shall submit Best Available Values to the Authority at each Review in accordance with Condition 4.4 for each past, current and future Formula Year  $t$  up to and including  $t = q$  for that Review. The Licensee shall submit Actual Values in respect of the Best Available Values for the Formula Years up to  $t=a$ , and shall use all reasonable endeavours to make its best estimate or forecast of the Best Available Values submitted in respect of the Formula Years from  $t=a+1$  to  $t=q$  (inclusive).

4.5.2 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 in Formula Year  $t$ ;

$C_{B,i,t}$  in Formula Year  $t$  and for Conveyance Category  $i$ , that proportion of Best Available Capital Expenditure in that Formula Year attributable to that Conveyance Category, using a methodology or methodologies approved by the Authority;

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

$O_{B,i,t}$  in Formula Year  $t$  and for Conveyance Category  $i$ , that proportion of Best Available Operating Expenditure in that Formula Year attributable to that Conveyance Category, using a methodology or methodologies approved by the Authority;

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

$RPIye_{B,t}$  the Best Available value of the Retail Prices Index for the last month of that Formula Year; and

$RPIy_{B,t}$  the sum of the Best Available values of the Retail Prices Index for each month in that Formula Year, divided by 12 (which gives a Best Available average value across that Formula Year).

$$\sum_{t=m}^{t=n} UAC_{B,t}$$

the Best Available Uncertainty Mechanism Capex Adjustment total, to be calculated at the end of year  $n$  for years  $t=m$  to  $t=n$ , applied to the DAV in the relevant year of occurrence,  $t$ , with applicable rate of return applied to the end of year  $n$  (this will include actual values from year  $t=m$  to year  $t=n-1$  and best available values will be used for year  $t=n$ , which will be updated to the actual value at the point of the next review period).

$$\sum_{t=m}^{t=n} UAO_{B,t}$$

the Best Available Uncertainty Mechanism Opex Adjustment total, to be calculated at the end of year  $n$  for years  $t=m$  to  $t=n$ , applied to the Profile Adjustment, with applicable rate of return applied to the end of year  $n$  to ensure consideration is given to the year in which the adjustment occurred (this will include actual values from year  $t=m$  to year  $t=n-1$  and best available values will be used for year  $t=n$ , which will be updated to the actual value at the point of the next review period).

- 4.5.3 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 4.5.3). 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 them by:

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

Where  $RPI_B$  is the Licensee's proposed value for that 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.

#### **Condition 4.6: Establishing Best Available Revenue Per Unit**

- 4.6.1 In addition to the Best Available Values referred to in Condition 4.5.2, the Licensee shall also (again in accordance with Condition 4.4) submit Best Available Revenue Per Unit values for each Review 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 use all reasonable endeavours to make its best estimate of the Best Available Revenue Per Unit for each Conveyance Category and for each such Formula Year ( $P_{B,i,t}$ ).
- 4.6.2 This Condition 4.6 sets out the Best Available Value categories and the underlying calculations upon which the Licensee should base its values of  $P_{B,i,t}$ . In compliance with its obligation under Condition 4.4, the Licensee shall submit full workings of the calculations and figures upon which its values of  $P_{B,i,t}$  are based.
- 4.6.3 The Licensee shall estimate values for the Best Available Revenue Per Unit ( $P_{B,i,t}$ ) so that:
- (a) such values comply with the requirements set out in Condition 4.6.4;
  - (b) such values reasonably reflect the differences in the respective costs of conveying gas for each of the Conveyance Categories, with reference to, without limitation,  $C_{B,i,t}$  and  $O_{B,i,t}$ ;
  - (c) the values (being, by virtue of Condition 4.5.3, values stated in constant price terms) for each Conveyance Category  $i$  will not, unless otherwise agreed with the Authority, differ between Formula Years  $t$ .
- 4.6.4 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 regulatory value at the end of Formula Year  $n$  of those assets acquired through Capital Expenditure and their depreciated value 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:

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

4.6.5 For the purposes of Condition 4.6.4, the following terms shall have the following meanings:

$n, q$  are Formula Years as defined in Condition 4.4.4 for the Review that  $P_{B,i,t}$  is being forecast as part of. As the value of the 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 4.6.6);

$r_{B,t}, r_B$  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;

$f_{B,t}$  is the Licensee's proposed value of the Designated Parameter  $f$  to apply to Formula Year  $t$ , where  $f$  is an averaging factor (of between zero and one) to be applied to the rate of return, in recognition of the fact that the rate of return is being applied to an end of Formula Year value, but will in practice be recovered over the course of a Formula Year;

$DAV_{B,t}$  is the Best Available Depreciated Asset Value for Formula Year  $t$  (being a sum calculated in accordance with Condition 4.6.7); and

$TRV_{B,n}$  is, the Best Available Total Regulatory Value at the end of Formula Year  $t = n$  for that Review (being a sum calculated in accordance with Condition 4.6.8).

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

- 4.6.6  $F_{B,t}$  is an amount equal to the sum of the Best Available Conveyance Revenues for all of the Conveyance Categories and the relevant Formula Year, less the Best Available Capital Expenditure for that Formula Year, less the Best Available Operating Expenditure for that Formula Year, which shall be calculated as follows:

$$F_{B,t} = \sum_{all\_i} (P_{B,i,t} \cdot V_{B,i,t}) - C_{B,t} - O_{B,t}$$

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

- 4.6.7  $DAV_{B,t}$  is an amount equal to the indexed, depreciated, rolled forward value of Capital Expenditure to date, measured at the end of each Formula Year. In respect of Formula Year  $t$  therefore, 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 be calculated as follows:

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

provided that the Licensee shall, in forecasting  $DAV_{B,t-1}$  and  $DAV_{B,t}$  for any previous Formula Years, ensure that its forecasts are consistent with the Authority's most recent determinations of the Determined Depreciated Asset Value, so that:

$$DAV_{B,a} = DAV_{E,a} \frac{RPI_B}{RPI_E}$$

Where  $a$  denotes a Formula Year as defined in Condition 4.4.4.

Where  $DAV_{B,t-1}$  includes all Uncertainty Mechanism Capex adjustments up to year t-1.

The Uncertainty Mechanism Capex Adjustment is calculated by the authority at the end of year  $n$ , with applicable rate of return applied, in respect of Capex items (this will include actual values as far as possible and estimates for any year(s) in which actual values are not available). Adjustments will be made in the year in which they relate to, for the purposes of depreciation in the DAV.

***Calculating  $D_{B,t}$  (Depreciation)***

$D_{B,t}$  Is the Best Available depreciation calculated each year on the assets of the Licensee in accordance with any depreciation policy determined by the Authority. This depreciation policy will define the asset life for each class of capital assets (for example mains, services, meters, IT, other capex). The depreciation will be calculated on a straight line basis on the sum of the indexed capital expenditure to date in each category that has not yet exceeded its asset life.

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

- 4.6.8  $TRV_{B,n}$  is the Best Available Total Regulatory Value at the end of Formula Year  $t = n$  for the Review in question. 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 any rolling incentive adjustments, which shall be calculated as follows:

$$TRV_{B,n} = DAV_{B,n} + DA_B + PA_B + ORI_B + CRI_B$$

Where:

$PA_B$  is the Profile Adjustment (being an adjustment calculated in accordance with Condition 4.6.9);

$ORI_B$  is the Operating Rolling Incentive (being an incentive calculated in accordance with Condition 4.6.10); and

$CRI_B$  is the Capital Rolling Incentive (being an incentive calculated in accordance with Condition 4.6.11).

$DA_B$  is an adjustment to take account of any difference between actual depreciation and depreciation allowed in the calculation of allowed revenues up to year n and is calculated as:

$$DA_B = \sum_{t=0}^n \left( D_{B,t} - D_{E,t} \cdot \frac{RPI_B}{RPI_E} \right)$$

### ***Calculating the Profile Adjustment***

4.6.9 The Profile Adjustment is an adjustment to reflect the long-term nature of the price control set out in this Condition 4. The Determined Revenue Per Unit 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 carrying forward the deferred value. The Best Available Profile Adjustment for each Review shall be calculated as follows:

$$PA_B = - \left( \begin{aligned} & \sum_{t=m+1}^n F_{E,t} \cdot (1 + r_{E,t} \cdot f_{E,t}) \cdot (1 + r_E)^{n-t} \\ & - TRV_{E,m} \cdot (1 + r_E)^{n-m} \\ & + DAV_{E,n} \\ & + \sum_{t=m}^n UAO_{B,t} \cdot (1 + r_{E,t} \cdot f_{E,t}) \cdot (1 + r_E)^{n-t} \end{aligned} \right) \cdot \frac{RPI_B}{RPI_E}$$

where:

m, n are Formula Years as defined in Condition 4.4.4 for the Review in question;

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

$F_{E,t}$ ,  $r_{E,t}$ ,  $f_{E,t}$ ,  $TRV_{E,m}$ , and  $DAV_{E,n}$  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.

$\sum_{t=m}^{t=n} UAO_{B,t}$  is the Best Available Uncertainty Mechanism Adjustment total in respect of Opex items up to year n (this will include actual values for years  $t=m$  to  $t=n-1$  and estimates for year  $t=n$ , which will be replaced with the actual value at the time of the next review period).

The Uncertainty Mechanism Opex Adjustment is calculated by the Authority at the end of year n, with applicable rate of return applied, in respect of Opex items (this will include actual values for years  $t=m$  to  $t=n-1$  and estimates for year  $t=n$ , which will be replaced with the actual value at the time of the next review period).

### ***Calculating the Operating Rolling Incentive***

- 4.6.10 The Operating Rolling Incentive is an incentive that guarantees the Licensee a specific number of Formula Years (w) of benefit in respect of any savings in Controllable Operating Expenditure regardless of when the saving is made. Where Formula Year n+1 occurs before the Licensee has had w Formula Years of benefit from any saving in Controllable Operating Expenditure, the Operating Rolling

Incentive therefore adds to the total regulatory value an amount equal to that saving in Controllable Operating Expenditure that would have been made in the remaining Formula Years of period w. Where Formula Year n+1 occurs after the Licensee has had w Formula Years of benefit from any saving in Controllable Operating Expenditure, the Operating Rolling Incentive therefore subtracts from the total regulatory value an amount equal to that saving in Controllable Operating Expenditure that was made in the Formula Years after completion of period w. The Operating Rolling Incentive for each Review shall be calculated as follows:

$$ORI_B = g \cdot \sum_{t=0}^n \left( \sum_{y=n+1}^{t+w-1} O_{I,t} \cdot \frac{1 + r_{B,y} \cdot f_{B,y}}{(1 + r_B)^{y-n}} - \sum_{y=t+w}^n O_{I,t} \cdot (1 + r_{E,y} \cdot f_{E,y}) \cdot (1 + r_E)^{n-y} \right)$$

where:

- $g$  is the Designated Parameter established at the preceding Review;
- $n$  is a Formula Year as defined in Condition 4.4.4 for the Review in question;
- $w$  is the Designated Parameter established at the preceding Review, and being the number of Formula Years for which the Licensee is entitled to retain an Incremental Saving;

$\sum_{t=0}^n$  is the summation of the results of the calculation within the large brackets in respect of each Formula Year  $t$  that occurs up until Formula Year  $t=n$ , where  $t=0$  refers to the first formula year of the Review period (and, except in the case of the First Periodic Review, will be the same as  $t=m+1$ );

$\sum_{y=n+1}^{t+w-1}$  is, in respect of each Formula Year  $t$ , the summation of data in respect of the Incremental Saving (if any) first made in Formula Year  $t$ , for all the Formula Years (if any)  $y$  from  $y=n+1$  to  $y=t + w - 1$  (inclusive);

$$\sum_{y=t+w}^n$$

is, in respect of each Formula Year  $t$ , the summation of data in respect of the Incremental Saving (if any) first made in Formula Year  $t$ , for all the Formula Years (if any)  $y$  from  $y=t + w$  to  $y=n$  (inclusive);

$$O_{I,t}$$

is the Incremental Saving (if any) first made in Formula Year  $t$ . An Incremental Saving is said to have occurred in any Formula Year  $t$  in which the value of an Operating Saving in one Formula Year is greater than the value of the Operating Saving (if any) in the preceding Formula Year. The Operating Saving in each Formula Year is calculated (after the end of Formula Year  $t$ , and in respect only of those Formula Years to  $t=a$ ) in accordance with the following calculation (and must be positive to be an Operating Saving):

$$O_{S,t} = O_{E,t} \frac{RPI_F}{RPI_E} - O_{F,t}$$

where  $O_{E,t}$  is the Determined Controllable Operating Expenditure for Formula Year  $t$ ; and  $O_{F,t}$  is the Actual Controllable Operating Expenditure for Formula Year  $t$ ; and

$$r_y, r$$

is either the Licensee's proposed value of the Designated Parameter (highlighted by use of the B subscript), or the established Designated Parameter (highlighted by use of the E subscript) for the 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,  $(1 + r_B)^{y-n}$  shall be replaced with  $(1 + r_{B,n+2}) \cdot (1 + r_{B,n+3}) \dots (1 + r_{B,t+w-1})$  and  $(1 + r_E)^{n-y}$  shall be treated accordingly.

### ***Calculating Capital Rolling Incentive***

- 4.6.11 The Capital Rolling Incentive is an incentive that guarantees the Licensee a specific number of Formula Years ( $w$ ) of benefit in respect of any savings in Capital Expenditure regardless of when the saving is made. Where Formula Year  $n+1$  occurs

before the Licensee has had w Formula Years of benefit from any saving in Capital Expenditure, the Capital Rolling Incentive therefore adds to the total regulatory value an amount equal to that saving in Capital Expenditure that would have been made in the remaining Formula Years of period w. Where Formula Year n+1 occurs after the Licensee has had w Formula Years of benefit from any saving in Capital Expenditure, the Capital Rolling Incentive therefore subtracts from the total regulatory value an amount equal to that saving in Capital Expenditure that was made in the Formula Years after completion of period w. The Capital Rolling Incentive for each Review shall be calculated as follows:

$$CRI_B = h \cdot \left( \sum_{t=0}^n \left( \sum_{y=n+1}^{t+w-1} C_{S,t} \frac{r_{B,y}}{(1+r_B)^{y-n}} - \sum_{y=t+w+1}^n C_{S,t} \cdot r_{E,y} \cdot (1+r_E)^{n-y} \right) + \sum_{t=n-w+1}^n C_{S,t} \frac{r_{B,t} \cdot f_{B,t}}{(1+r_B)^{t+w-n}} - \sum_{t=0}^{n-w} C_{S,t} \cdot r_{E,t} \cdot f_{E,t} \cdot (1+r_E)^{n-(t+w)} + DI_B \right)$$

Where:

$h$  is the Designated Parameter established at the preceding Review;

$\sum$  is the summation for Formula Years t or y (as the case may be) from the number below the summation sign to the number above the summation sign (inclusive), where t=0 refers to the formula year of the Review period (and, except in the case of the First Periodic Review, will be the same as t=m+1);

$C_{S,t}$  is the Capital Saving (if any) made in Formula Year t. A Capital Saving is calculated (after the end of Formula Year t, and in respect only of those Formula Years to t=a) in accordance with the following calculation (and must be positive to be a Capital Saving):

$$C_{S,t} = C_{E,t} \frac{RPI_F}{RPI_E} - C_{F,t}$$

where  $C_{E,t}$  and  $C_{F,t}$  are the Determined Capital Expenditure and the Best Actual Capital Expenditure (respectively) for Formula Year  $t$ ;

$D_{E,t}$  is the Determined Annual Depreciation for that Formula Year; and

$DI_B$  is the Best Available depreciation component modifying the incentive adjustment calculated according to the following formula:

$$DI_B = d \cdot \left( \sum_{t=0}^{n-w} C_{S,t} \frac{w}{l} \cdot (1 + r_{E,t} \cdot f_{E,t}) \cdot (1 + r_E)^{n-(t+w)} + \sum_{t=n-w+1}^n C_{S,t} \frac{w}{l} \cdot \frac{1 + r_{B,t} * f_{B,t}}{(1 + r_B)^{t+w-n}} \right)$$

where  $d$  and  $l$  are the Designated Parameter established at the preceding Review.

#### **Condition 4.7: Special Reviews**

- 4.7.1 The Determination Values and Designated Parameters established at a Review will remain unchanged until the Authority modifies Condition 4.11 in accordance with Articles 14(8) – (10) of the Order.
- 4.7.2 Notwithstanding Condition 4.7.1:
- (a) the Authority may (after consultation with the Licensee) determine a new value for the Designated Parameter *n* (thereby triggering a Special Review) following the occurrence of any one or more of the events referred to in Condition 4.7.4; and
  - (b) where a new value is so determined, the value of the Designated Parameter *n* in Condition 4.11 shall be modified accordingly in accordance with Article 10(5)(b) of the Order.
- 4.7.3 The Licensee may, by written notice to the Authority, require the Authority to determine a new value for the Designated Parameter *n* in accordance with Condition 4.7.2 where the Licensee can demonstrate to the Authority's reasonable satisfaction that any one or more of the events referred to in Condition 4.7.4 have occurred.
- 4.7.4 The events referred to in Conditions 4.7.2 and 4.7.3 are that, at the time the Authority chooses to make a determination (in the case of Condition 4.7.2), or at the time the Licensee serves the relevant written notice (in the case of Condition 4.7.3):
- (a) the Actual Volume in the preceding Formula Year differed by a factor of 15% (or more) from the Determined Volume adjusted to take account of weather conditions (including temperature variability) in accordance with such rules as are approved by the Authority from time to time;
  - (b) the Actual Operating Expenditure in the preceding Formula Year differed by a factor of 15% (or more) from the Determined Operating Expenditure after taking into account the effect of the Uncertainty Mechanism Opex Adjustment; and

- (c) the Licensee's obligations under Condition 3.2.1 have not been, or can reasonably be expected not to be, complied with.

4.7.5 Where, and at the time that, the Authority determines a new value for the Designated Parameter  $n$  in accordance with Condition 4.7.2:

- (a) if the sixth month of the then current Formula Year has not yet ended, the Formula Year determined as  $n$  by the Authority shall be the then current Formula Year; or
- (b) if the sixth month of the then current Formula Year has already ended, the Formula Year determined as  $n$  by the Authority shall be the immediately following Formula Year.

4.7.6 A Special Review will (like a Periodic Review) establish revised Determination Values and Designated Parameters. However, (unlike a Periodic Review) a Special Review shall be undertaken to establish new values for (and the Licensee shall provide Best Available Values and proposed Designation Parameters for) only such Determination Values and Designated Parameters as the Authority and the Licensee agree (or, in the absence of such agreement, as the Authority directs), and the values of the other Determination Values and Designated Parameters established at the last Review shall remain unchanged. The Licensee shall provide the required information in accordance with such timetable as the Authority may direct.

#### **Condition 4.8: Type of price control**

##### **Shift of price control from a price cap to a revenue cap**

- 4.8.1 The preceding Conditions of this Part 4, in particular Condition 4.2, set out a “price cap” form of control under which the Licensee is restricted as to the total revenue recovery based on the determined tariffs  $P_i$ , by category  $i$ .
- 4.8.2 This form of price cap control establishes an incentive on the Licensee to increase revenues. However, as the Network become more mature, such an incentive will no longer be necessary. The intention of the Authority at the date of the Grant is to modify the Conditions at an appropriate point in time to adopt a “revenue cap” form of control under which the Licensee will be restricted as to the total determined conveyance revenue ( $\sum p_i v_i$ ) that it can recover.
- 4.8.3 The Authority:
- (a) will review whether the form of control shall be modified from a price cap to a revenue cap five years after commencement of the Licence; and
  - (b) in the event that the form of control is not modified in consequence of that review, will further review whether the form of control shall be modified from a price cap to a revenue cap at each subsequent price review.

#### **Condition 4.9: Postalised Conveyance Tariff**

##### **Introduction of a Common Low Pressure Conveyance Tariff**

- 4.9.1 The preceding Conditions of this Part 4 set out the basis for the restriction of conveyance charges in accordance with the price control of the Licensee.
- 4.9.2 The intention of the Authority at the date of the grant of the Licence is to modify the Conditions (together with the conditions of gas conveyance licences of other licence holders) at an appropriate point in time in order to mandate a common low pressure gas conveyance tariff across Northern Ireland under which every class of customers (e.g. domestic) will be subject to the same conveyance tariff regardless of location.
- 4.9.3 Under any such modified Conditions, it is the intention of the Authority at the date of the Grant that tariffs for the low pressure conveyance of gas would be set to recover an amount of revenue equal to the aggregate allowed revenue of the Licensee and all other relevant licence holders. The collected revenue would be placed in a common pot before being allocated to each licence holder in accordance with its allowed revenue for that year.
- 4.9.4 Within a timescale to be determined and specified by the Authority, the Licensee shall:
- (a) in conjunction and co-operation with the Authority and other relevant licence holders, develop proposals for the creation of such a common tariff; how this would function and to facilitate such implementation; and
  - (b) take all reasonable steps to facilitate the creation and introduction of that common tariff.

## **Condition 4.10: Reporting Requirements**

### **Statements & Other Information**

- 4.10.1 Following each Formula Year  $t$ , the Licensee shall give to the Authority a statement, at a time, in such form and accompanied by such supporting information (including an appropriate statement from its auditors in the form specified in Condition 1.2.6) as the Authority may direct, setting out the Actual Values for each of the factors for which Determination Values were previously established and in respect of those Formula Years during which the price control set out in this Part 4 has applied up to and including Formula Year  $t$ .

### **Pricing Information**

- 4.10.2 At least two months in advance of setting the Controlled Charges in respect of Formula Year  $t$ , the Licensee shall give to the Authority a statement, at a time, in such form and accompanied by such supporting information as the Authority may direct, setting out:
- (a) the Licensee's detailed charging proposals for Formula Year  $t$ ;
  - (b) the Formula Year  $t$  values used by the Licensee for each of the parameters referred to in the calculations that underpin the Primary Constraint and the Supplemental Constraint;
  - (c) a demonstration of how the Primary Constraint and the Supplemental Constraint applying to Formula Year  $t$  would be satisfied by the adoption of the Licensee's charging proposals;
  - (d) an explanation for any significant variation from zero in the value of  $Z_{F,i,t-1}$  and an outline of the Licensee's proposals for reversing any positive value (accumulated over-recovery) or any negative value (accumulated under-recovery) in  $Z_{F,i,t}$ ; and
  - (e) an assessment of the likely effect of the charging proposals on consumers, including in particular:

- (i) where those charging proposals would be likely to have different effects on different categories of consumers, an assessment of the likely effect on each such category; and
- (ii) where those charging proposals would give rise to Controlled Charges materially different from those in the previous Formula Year  $t-1$ , an assessment of the likely impact on consumers of the proposed change in Controlled Charges.

### **Business plans**

#### **4.10.3 The Licensee shall:**

- (a) at least eighteen months before the date of commencement of each Periodic Review, submit to the Authority a business plan in such form and in such manner as may be specified by the Authority;
- (b) update the business plan from time to time to include such information and detail as required by the Authority in a direction issued to the Licensee; and
- (c) submit any updated business plan to the Authority in accordance with any timescales specified by the Authority.

**Condition 4.11: Current Designated Parameters and Determination Values**

4.11.1 The Designated Parameters to apply to the first Formula Year and in each subsequent Formula Year up to and including Formula Year  $n$  shall be:

<b>Designated Parameter</b>	<b>Value</b>
$r_t$	To be set at the first Periodic Review
$n$	Prior to the first Periodic Review, to have the value specified in Condition 4.4.5(a), and then to be re-set at the first Periodic Review
$f_t$	To be set at the first Periodic Review
$m$	To be set at the first Periodic Review
$q$	To be set at the first Periodic Review
$RPI$	To be set at the first Periodic Review
$w$	To be set at the first Periodic Review
$g$	To be set at the first Periodic Review
$h$	To be set at the first Periodic Review
$d$	To be set at the first Periodic Review
$l$	To be set at the first Periodic Review
$\delta_t$	To be set at the first Periodic Review
$x_{0,t}$	To be set at the first Periodic Review
$x_{U,t}$	To be set at the first Periodic Review

$\alpha_t$	To be set at the first Periodic Review
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4.11.2 The Determination Values to apply in the first Formula Year and in each subsequent Formula Year up to and including Formula Year  $n$  shall be:

<b>Description</b> (for Conveyance Categories $i$ and Formula Years $t$ )	<b>Determination Values</b>	<b>Value(s)</b>
Volume (therms)	$V_{E,i,t}$	To be set at the first Periodic Review
Capital Expenditure	$C_{E,t}$	To be set at the first Periodic Review
Operating Expenditure	$O_{E,t}$	To be set at the first Periodic Review
Annual Depreciation	$D_{E,t}$	To be set at the first Periodic Review
Cash Flow (calculated in accordance with Condition 4.6.6)	$F_{E,t}$	To be set at the first Periodic Review
Revenue Per Unit	$P_{E,i,t}$	To be set at the first Periodic Review
Depreciated Asset Value (calculated in accordance with Condition 4.6.7)	$DAV_{E,t}$	To be set at the first Periodic Review
Total Regulatory Value (calculated in accordance with Condition 4.6.8)	$TRV_{E,m}$	To be set at the first Periodic Review

#### **Condition 4.12: Definitions and Interpretation**

4.12.1 In this Part 4, unless the context otherwise requires, the following terms and expressions shall have the meanings attributed to them below:

<b>“Actual”</b>	used as an adjective in relation to another defined word or phrase, means the Actual Value to be attributed to it;
<b>“Actual Value”</b>	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 year by reference to verifiable data in the possession of the Licensee. The key Actual Values are set out in Condition 4.12.3. An Actual Value is denoted in the terms of formulae in this Part 4 by the use of an $F$ subscript;
<b>“Allowed Revenue”</b>	means, in respect of Conveyance Category $i$ in Formula Year $t$ , the Determined Revenue Per Unit multiplied by the Actual Volume in respect of that Conveyance Category in that year;
<b>“Annual Depreciation”</b>	means the annual depreciation of those assets, the purchase of which was initially recognised as Capital Expenditure, allocated on a systematic basis over the useful lives of such assets, using policies and asset life assumptions approved by the Authority;
<b>"Application Pack"</b>	means all the information and evidence submitted by the Licensee to the Authority in support of its application for the Licence.
<b>“Best Available”</b>	used as an adjective in relation to another defined word or phrase, means the Best Available Value to be attributed to it;

<b>“Best Available Value”</b>	means, in relation to any quantifiable term and at the time that quantifiable term is being assessed, a value 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 Part 4 by the use of a <i>B</i> subscript;
<b>“Capital Expenditure”</b>	means Expenditure that relates to property, plant or equipment that would be recognised as an asset under International Accounting Standard 16 ‘Property, Plant and Equipment’ (excluding any attributable interest costs), or any alternative accounting treatment specified by the Authority in any regulatory accounting guidelines issued from time to time;
<b>“Controllable Operating Expenditure”</b>	means, in respect of any Formula Year, the monetary amounts attributable to those categories of Operating Expenditure that are deemed by the Authority to be within the reasonable control or influence of the Licensee and that are designated by the Authority as being Controllable Operating Expenditure in respect of that Formula Year at the last Review before that Formula Year;
<b>“Controlled Charges”</b>	means all the charges levied by the Licensee in the course of the Licensed Business;
<b>“Controlled Revenue”</b>	means the total revenue (measured on an accruals basis) derived by the Licensee from the Licensed Business, after deduction of value added tax (if any) and any other taxes based directly on such revenue, other than revenue derived under Conditions 2.5.2(a)(i) or 2.5.3(a)(i);

<b>“Conveyance Category”</b>	means one of the following six classes of consumer:
	<ul style="list-style-type: none"> <li>(i) firm gas demand of less than 2,500 therms per annum which is connected to the Network;</li> <li>(ii) firm gas demand of 2,500 - 25,000 (inclusive) therms per annum which is connected to the Network;</li> <li>(iii) firm gas demand of over 25,000 (up to a maximum of 75,000) therms per annum which is connected to the Network;</li> <li>(iv) firm gas demand of over 75,000 therms per annum which is connected to the Network and which is used (in whole or part) in a combined heat and power generating station;</li> <li>(v) firm gas demand of over 75,000 therms per annum which is connected to the Network and which is not used in a combined heat and power generating station;</li> <li>(vi) gas demand which can be interrupted under the terms of the supply contract and which is connected to the Network;</li> </ul>
<b>“Conveyance Revenue”</b>	means, in respect of each Conveyance Category <i>i</i> and any Formula Year <i>t</i> , the Controlled Revenue for that Formula Year and that Conveyance Category;
<b>“Designated Parameters”</b>	means those parameters set out in Condition 4.12.4; the applicable values from time to time for which are set out in Condition 4.11 (and denoted in the terms of formulae in this Part 4 by the use of the 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 (subject to Condition 4.7.2) 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 Value”**

means those terms set out under that heading in Condition 4.12.3, the applicable values from time to time for which are set out in Condition 4.11 in respect of each Formula Year *t*. A Determination Value is denoted in the terms of formulae in this Part 4 by the use of an *E* subscript;

**“Expenditure”**

means the expenditure that the Authority deems necessary or appropriate for the carrying out by the Licensee of the Licensed Business in an economically efficient and safe manner, having regard in particular to the forecast statements provided to the Authority and to any procurement procedures and expenditure control procedures agreed between the Licensee and the Authority, but excluding:

- (i) expenditure relating to tax, financing and other returns to investors;
- (ii) expenditure incurred in the construction of any Excluded Pipe-line,
- (iii) expenditure that is recoverable under Conditions 2.5.2(a)(i) or 2.5.3(a)(i); and

- (iv) an amount equal to the sum of: (A) the value of any grants received by the Licensee that are attributable to the Licensed Business; and (B) the arm's length value of any disposals made by the Licensee of assets previously used in carrying out the Licensed Business;

**“Excluded Pipe-line”** means such part of a pipeline forming a part of the Network as is:

- (a) specified in, or determined by or in accordance with, a direction given to the Licensee by the Authority for the purposes of this definition; and
- (b) by virtue of a direction given by the Authority to the High Pressure Conveyance Licensee pursuant to the High Pressure Conveyance Licence, is included within the definition of 'Postalised Distribution Pipeline' under that licence.

**“Formula Year”** means a period of twelve calendar months commencing on 1 January and ending on 31 December, and for the purposes of this Licence the first such period shall be deemed to commence on 1 January 2018;

**"LIBOR"** means the sterling London Interbank Offered Rate as published in the Financial Times from time to time;

**“Non-Controllable Operating Expenditure”** means any Operating Expenditure other than Controllable Operating Expenditure;

**“Operating Expenditure”** means all Expenditure other than Capital Expenditure;

**“Retail Prices Index” or** means the Index of that name published by the Office of National Statistics each month in respect of all

<b>“RPI”</b>	items, or:
	<ul style="list-style-type: none"> <li data-bbox="670 246 1418 627">(i) if that 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 alternative index for such month as the Authority may after consultation with the Licensee determine as appropriate in the circumstances; or</li> <li data-bbox="670 672 1418 873">(ii) if there is a material change in the basis of the Index, such alternative index as the Authority may after consultation with the Licensee determine as appropriate in the circumstances;</li> </ul>
<b>“Uncertainty Mechanism Adjustment”</b>	Means an adjustment to DAV (in respect of Capex, UAC) or PA (in respect of Opex, UAO) calculated by the Authority to reflect the impact of the uncertainty mechanisms;
<b>“Revenue Per Unit”</b>	means, in respect of each Conveyance Category <i>I</i> and any Formula Year <i>t</i> , the Conveyance Revenue for that Conveyance Category and that Formula Year divided by the Volume for that Conveyance Category and that Formula Year;
<b>“Review”</b>	has the meaning attributed to it in Condition 4.4.2. A Review can be either a Periodic Review (as defined in that Condition) or a Special Review (as defined in that Condition);
<b>“Unanticipated Operating Expenditure”</b>	means, in respect of any Formula Year, and at the time it is assessed in that Formula Year:
	<ul style="list-style-type: none"> <li data-bbox="670 1814 1418 1982">(i) the amount (if any) by which the value of the Best Available Non-Controllable Operating Expenditure for that Formula Year is greater</li> </ul>

than the Determined Non-Controllable Operating Expenditure for that Formula Year; and/or

- (ii) to the extent such costs are outside the reasonable control of the Licensee, the value attributable to any categories of Operating Expenditure included within the Best Available Non-Controllable Operating Expenditure for that Formula Year, for which categories no allowance was made in the Determined Operating Expenditure for that Formula Year; and

**“Volume”**

means, in respect of each Conveyance Category  $i$  and any Formula Year  $t$ , the aggregate quantity of gas, in terms or kilowatt hours (as directed by the Authority), taken off the Network as a result of arrangements with gas suppliers in that Formula Year and for that Conveyance Category.

4.12.2 In this Part 4, “revenue”, “expenditure” and “accruals” are the amounts that are confirmed by the Licensee’s auditors as such and have (to the extent that such financial statements have been produced) been included under appropriate headings in the financial statements of the Licensee’s Separate Business of conveying gas for each period in question.

4.12.3 Best Available Values, Determination Values and Actual Values

<b>Description</b> (for Conveyance Categories $i$ and Formula Years $t$ )	<b>Best Available Values</b>	<b>Determination Values</b>	<b>Actual Values</b>
Volume	$V_{B,i,t}$	$V_{E,i,t}$	$V_{F,i,t}$
Capital Expenditure	$C_{B,t}$	$C_{E,t}$	
Operating Expenditure	$O_{B,t}$	$O_{E,t}$	

Annual Depreciation	$D_{B,t}$	$D_{E,t}$	
Cash Flow (calculated in accordance with Condition 4.6.6)	$F_{B,t}$	$F_{E,t}$	
Revenue Per Unit	$P_{B,i,t}$	$P_{E,i,t}$	$P_{F,i,t}$
Depreciated Asset Value (calculated in accordance with Condition 4.6.7)	$DAV_{B,t}$	$DAV_{E,t}$	
Total Regulatory Value (calculated in accordance with Condition 4.6.8)*	$TRV_{B,n}$	$TRV_{E,m}$	
Uncertainty Mechanism Capex Adjustment (as described in Condition 4.6.7)	$UAC_{B,t}$		$UAC_{F,t}$
Uncertainty Mechanism Opex Adjustment (as described in Condition 4.6.9)	$UAO_{B,t}$		$UAO_{F,t}$

\* 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).

#### 4.12.4 Designated Parameters

<b>Description</b>	<b>Designated Parameters</b>	<b>Limitation to the application of re-designated values</b>
Rate of return	$r_t$	None
Trigger for Reviews (as defined in Condition 4.4.4)	n	A Formula Year
Averaging factor to reflect in year accruals (as defined in Condition 4.6.5)	$f_t$	A number between 0 and 1
The forecasting horizon for review calculations (as defined in Condition 4.4.4)	$q$	Shall be the Formula Year 2057
The indexation base *	$RPI$	None

Incentive period (as defined in Condition 4.6.10)	$w$	A number of Formula Years
A switch for the Operating Rolling Incentive	$g$	Either 0 or 1
A switch for the Capital Rolling Incentive	$h$	Either 0 or 1
A switch for the depreciation component	$d$	Either 0 or 1
Deemed asset life	$l$	None
A weighting factor to be used in the Primary Constraint	$\delta_t$	Between 0 and 1
A rate of return adjustment which may be used to encourage or discourage accumulated over-recoveries (as defined in Condition 4.2.6)	$x_{0,t}$	None
A rate of return adjustment which may be used to encourage or discourage accumulated under-recoveries (as defined in Condition 4.2.6)	$x_{u,t}$	None
A weighting factor used in the Supplemental Constraint	$\alpha_t$	Greater than or equal to 0

\* 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  $RPIy_t$ , to adjust the Determined Revenue Per Unit value to allow for changes in the Retail Prices Index in the period since the value of the Determined Revenue Per Unit was determined.

#### 4.12.5 Key to other formula parameters

- $a$                       subscript to denote a Formula Year as defined in Condition 4.4.4;
- $B$                         subscript to denote Best Available Values;
- $C_{i,t}$                     Capital Expenditure in Formula Year  $t$  allocated between Conveyance Categories  $i$ ;

$CRI$	Capital Rolling Incentive (calculated in accordance with Condition 4.6.11);
$DI$	a depreciation component of the Capital Rolling Incentive (as defined in Condition 4.6.11);
$E$	subscript to denote Determination Values;
$F$	subscript to denote Actual Values;
$i$	subscript to denote a Conveyance Category;
$m$	subscript to denote a Formula Year as defined in Condition 4.4.2;
$O_{i,t}$	Operating Expenditure in Formula Year $t$ allocated between Conveyance Categories $i$ ;
$ORI$	Operating Rolling Incentive (calculated in accordance with Condition 4.6.10);
$PA$	Profile Adjustment (calculated in accordance with Condition 4.6.9);
$\bar{r}$	a compounding factor (dependent on values of $r$ and $x$ ) as defined in Condition 4.2.6;
$RPI_E, RPI_B$	Retail Prices Index base reference points (as defined in Conditions 4.2.4 and 4.5.3);
$RPI_{iy_t}, RPI_{ye_t}$	in year average and year-end Retail Prices Index values;
$t$	subscript to denote any Formula Year;
$y$	subscript to denote any Formula Year (used for summations when it is necessary to differentiate from $t$ );

$Z_{F,i,t}$  the Actual Value for accumulated under or over-recoveries for Formula Year  $t$  and Conveyance Category  $i$  (calculated in accordance with Condition 4.2.10); and

$\Gamma_{F,t}$  a weighting factor calculated in accordance with Conditions 4.2.14 and 4.2.15.

## **SCHEDULE 1: Authorised Area for the Conveyance of Gas**

### **1      The Licensed Area**

#### **1.1      The Licensed Area comprises:**

- (a)      all areas within the boundaries of the Electoral Wards (being the spatial unit used to elect local government councillors into district council areas, as at the date of the grant of this Licence. 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) listed in Annex 1 to Part 3 of the Licence;
- (b)      the land in, on, or over which the Strabane Connection Pipe-Line is situated;
- (c)      any premises which are, at any given location, situated within a 50 metre radius of the Strabane Connection Pipe-Line; and
- (d)      the land in, on, or over which low pressure pipe-lines are situated for the purpose of conveying gas to the premises specified in paragraph 1.1(c) above.

#### **1.2      In paragraph 1.1, the “Strabane Connection Pipe-Line” means that section of the Licensee's distribution pipe-line that:**

- (a)      starts at the boundary of the District of Strabane and ends at the connection point on the North-West pipe-line ; and
- (b)      follows a route approved by the Authority.

#### **1.3      In paragraph 1.2, the North- West pipe-line has the meaning given to it, on the date of the grant of the Licence, in the gas conveyance licence granted to BGE (UK) Ltd on 12 February 2002.**

## **SCHEDULE 2: Right of the Authority to Revoke Licence**

### **1      Circumstances allowing revocation**

1.1      The Authority may at any time revoke the licence by not less than 30 days' notice to the Licensee:

- (a)      if the Licensee agrees in writing with the Authority that such licence should be revoked; or
- (b)      if any amount payable under Condition 1.13 is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the Licensee notice that the payment is overdue provided that no such notice shall be given earlier than the sixteenth day after 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 the licence is subject or of a “relevant requirement” as defined in Article 41(2) of the Energy Order and such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice of such failure to the Licensee, provided that no such notice shall be given by the Authority 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) of the Energy Order by the due date for such payment and the payment is not made to the Authority within three months after the Authority has given notice in

writing of such failure to the Licensee, provided that no such notice shall be given by the Authority 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 a court under section 34 of the Competition Act 1998; or fails to comply with an order made under section 72, 75, 76, 81, 83, 84, 158, 160 or 161 of, or under paragraph 2, 5, 6, 10 or 11 of Schedule 7 to, the Enterprise Act 2002; or any partner, director, member, secretary or manager is found guilty of an offence under section 188 or 201 of the Enterprise Act 2002; 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 2) 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 Authority); 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 paragraph 14 of Schedule B1 to 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 Authority; or
  - (v) becomes subject to an order for winding up by a court of competent jurisdiction; or

- (g) if at any time the Licensee intentionally or recklessly fails to notify the Authority of a change in control as soon as practicable after such change in control should have occurred; or where there has been a change in control notified by the Licensee:
  - (i) the Authority serves notice on the Licensee stating that the Authority 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
- (h) if the Licensee fails to notify the Authority of any change in ownership of the equity capital of the Licensee as soon as practicable after such change has occurred; or where there has been a change in ownership of equity capital notified by the Licensee, and:
  - (i) the Authority 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 Authority 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

- (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

- 2.1 The Authority may at any time by not less than 30 days' notice to the Licensee revoke the licence if the Licensee has not commenced carrying on the Licensed Business within nine months of the date of the Grant or thereafter ceases for a period of 3 months to carry on the Licensed Business and in relation to any date or period given in this paragraph 2 the Authority 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

- 3.1 The Licensee shall acquire ownership of the relevant assets (as the same are defined in Condition 1.12.6) required for the conduct of its Licensed Business and save as is permitted under Conditions 1.11 and 1.12, if the Licensee does not have ownership of the relevant assets required for the conduct of its Licensed Business under the licence, then the Authority may at any time by not less than 30 days' notice to the Licensee revoke the licence for such Licensed Business.
- 3.2 For the purposes of this paragraph 3 of this Schedule 2 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 1.12.6).

4 Licensee's deemed ability to pay its debts

- 4.1 For the purposes of paragraph 1.1(f)(i) of this Schedule 2, 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 Authority may from time to time determine by notice in writing to the Licensee.
- 4.2 The Licensee shall not be deemed to be unable to pay its debts for the purposes of paragraph 1.1(f)(i) of this Schedule 2 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 Authority under paragraph 1 of this Schedule 2.

5 Additional definition

- 5.1 Except where expressly stated to the contrary, and unless the context otherwise requires, the expressions used in this Schedule 2 shall have the meanings ascribed to them in the Conditions at the date of the Grant, and shall be construed in accordance with the rules of construction and interpretation set out in the Conditions at the date of the Grant.
- 5.2 For the purposes of paragraph 1.1(g) of this Schedule 2, 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 section 450 (as read in conjunction with section 451) of the Corporation Tax Act 2010 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 section 450 there shall be substituted the words "one-third or more".

### **SCHEDULE 3: Exclusivity**

#### **1 Definitions**

Except where expressly stated to the contrary, and unless the context otherwise requires, the expressions used in this Schedule 3 shall have the meanings ascribed to them in the Conditions at the date of the Grant, and shall be construed in accordance with the rules of construction and interpretation set out in the Conditions at the date of the Grant.

- 1.2 When used in this Schedule 3, the expression “Exclusive Area” shall mean the area described in paragraph 1.1(a) of Schedule 1.

#### **2 Exclusivity**

- 2.1 Subject to paragraphs 2.2 and 3.1 to 3.5 of this Schedule 3, the Licensee shall be entitled exclusively to participate in the conveyance of gas from one place to another in the Exclusive Area by means of low pressure pipe-lines (such conveyance within such area being a “designated activity” for the purposes of Article 9 of the Order) for the period from the date of the Grant of this Licence until the date which is the twentieth anniversary of the date of the Grant.

- 2.2 The Authority may, after the date of the Grant and in accordance with either of Article 9 of the Order, Article 14 and Article 14A of the Order or paragraphs 3.1 to 3.4 of this Schedule 3, modify the terms of the exclusivity conferred under this Schedule 3 (including to extend the period of such exclusivity under and in accordance with Article 9(7) of the Order).

#### **3 Loss of Exclusivity in a District and the Licensed Area**

- 3.1 Subject to paragraph 3.4, the Licensee shall cease to be entitled exclusively to convey gas to:

- (a) any premises in a District within the Exclusive Area where the Authority determines that:
  - (i) 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 low pressure pipe-lines in accordance with Condition 3.2.1; or

(ii) prior to the twelfth anniversary of this licence coming into force, the Licensee has refused a request by either:

(A) a gas supplier for the connection of premises in that District to the Network in order to give a supply; or

(B) the owner or occupier of premises in that District for the connection of premises to the Network;

and:

(C) that gas supplier or owner or occupier is willing to pay the charge for connection for the premises as determined under Condition 2.3 and comply with the Licensee's other terms for connection as also determined under Condition 2.3; and

(D) at the time of the request, the premises is readily connected.

(b) any particular premises, following the twelfth anniversary of this licence coming into force, where the Authority determines that:

(i) the Licensee 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

(ii) the gas supplier or owner or occupier is willing to pay the charge for connection as determined under Condition 2.3 and comply with the Licensee's other terms for connection as also determined under Condition 2.3.

3.2 Subject to paragraph 3.4, the Licensee shall cease to be entitled exclusively to convey gas to any premises in the whole of the Exclusive Area where:

- (a) the Authority has determined pursuant to paragraph 3.1 that the Licensee shall cease to be entitled exclusively to convey gas to premises in three or more Districts; or
  - (b) the Authority determines that it is satisfied, on reasonable grounds, of a contravention by the Licensee of any of the conditions designated as relevant conditions under Condition 3.8.
- 3.3 Where the Authority makes a determination under paragraph 3.1 or 3.2 it shall give notice of that determination to the Licensee and of the modifications to be made to this Schedule 3 to implement the determination (a '**determination notice**').
- 3.4 Where the Authority gives a determination notice to the Licensee, the Authority's determination and the modifications to this Schedule 3, as specified in the notice shall, unless the Licensee has submitted a written request to the Authority within 28 days of the determination notice for the determination not to take effect, have effect from the date specified in the determination notice.
- 3.5 Paragraphs 3.1 to 3.4 above are without prejudice to the Authority's powers to modify the Licence (including this Schedule 3) under Article 9 and Article 14 and Article 14A of the Order.
- 4 Conveyance of Gas for Transhipment
- 4.1 Nothing in this Schedule 3 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.