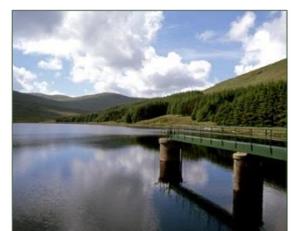


25 April 2018

**Standardisation of Licence Condition -
'Connection Charges and Obligation to
Connect' and Consequential Licence
Changes**

**Decision Published Pursuant to
Article 14(8) of the Gas (Northern
Ireland) Order**



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

This paper sets out the final decision on modifications to the licence Condition 'Connection Charges and Obligation to Connect' for high pressure and low pressure licences. The licences affected by these changes are:

- Belfast Gas Transmission Limited (BGTL);
- Premier Transmission Limited (PLT);
- West Transmission Limited (WTL);
- GNI (UK) Limited (GNI (UK));
- firmus energy (Distribution) Limited (firmus);
- Phoenix Natural Gas Limited (PNGL);
- SGN Natural Gas Limited (SGN).

It also sets out the final decision on a number of consequential changes to other conditions contained in the high and low pressure Licences, as well as on an update of the 'Compliance with System Operator Agreements' Condition in the high pressure Licences.

Audience

Industry, consumers & statutory bodies.

Consumer impact

The Licence changes will achieve, where reasonable, standardisation of the 'Connection Charges and Obligation to Connect' condition across high and low pressure Licences. They also reflect the findings of a recent connection dispute as well as the implications of the Gas (Individual Standards of Performance) Regulations (Northern Ireland) 2014 and the Gas Regulatory Letter No. 1. In particular, the Licence obligations will require high pressure licensees to obtain approval from the Authority before making a connection between any premises and the network. Finally, the Licence modifications will enhance transparency and clarity of Licence drafting.

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Glossary

BGTL	Belfast Gas Transmission Limited
CCNI	Consumer Council for Northern Ireland
DNO	Distribution Network Operator firmus, PNGL and SGN.
firmus	Firmus energy (Distribution) Limited
GDN	Gas Distribution Network Operator
GNI (UK)	GNI (UK) Limited
LNG	Liquefied Natural Gas
MEL	Mutual Energy Limited
PTL	Premier Transmission Limited
PNGL	Phoenix Natural Gas Limited
SGN	SGN Natural Gas Limited
SSO	Single System Operator
TSO	Transmission System Operator GNI (UK), PTL, BGTL and WTL. WTL is not a TSO (Transmission System Operator) as defined by the European Commission but it is referred to as a TSO in this document for simplicity.
UR	Utility Regulator
WTL	West Transmission Limited

1 Introduction

Purpose of this Paper

1.1 The purpose of this document is to set out our decision on Licence modifications for the gas conveyance Licences held by:

- Belfast Gas Transmission Limited (BGTL)
- Premier Transmission Limited (PLT)
- West Transmission Limited (WTL)¹
- GNI (UK) Limited (GNI (UK))
- Firmus Energy (Distribution) Limited (firmus)
- Phoenix Natural Gas Limited (PNGL)
- SGN Natural Gas Limited (SGN).

1.2 The Utility Regulator (the UR) published a Consultation on 30th January 2018² which proposed a number of Licence modifications:

- i. A standardised Licence Condition 2.3 'Connection Charges and Obligation Connect'³ for high pressure and low pressure Licences. The standardisation is expected to reduce regulatory burden and enhance transparency. In addition to the changes to the 'Connection Charges and Obligation to Connect' Condition, there are a number of consequential changes to other conditions in the high and low pressure Licences.
- ii. Changes to the low pressure Licences required to reflect the implications of the Gas (Individual Standards of Performance) Regulations (Northern Ireland) 2014.
- iii. Changes to high pressure Licences pursuant to the Gas Regulatory Letter No 1. These changes require the licensee to obtain approval from the Authority before making a connection between any premises (other than any premises which may constitute a Storage Facility or an LNG (Liquefied Natural Gas) Facility) and the Network.
- iv. Tidy up modifications given that the System Operator Agreement will be replacing the Northern Ireland Network Operators Agreement.

1.3 For the reasons set out in Section 4 of this Decision Paper we consider that the modifications set out in the Notice published by the Utility Regulator pursuant

¹ WTL licence was granted to Northern Ireland Energy Holdings on 11 February 2015.

² [Utility Regulator: Notice and Consultation on Proposed Standardisation of Licence Condition - 'Connection Charges and Obligation to Permit a Connection' and Consequential Licence Changes, 30 January 2018.](#)

³ In the PNGL licence, this is Condition 2.4. However, in the interest of readability, unless explicitly stated otherwise, we use in this document reference to Condition 2.3, which is the equivalent licence condition in the other high and low pressure licences. Any references to the PNGL licence are to be construed accordingly.

to Article 14(2) of the Gas Order, on 30th January 2018 should be made with the additional drafting amendments as highlighted in green text in Annexes E-G. These additional drafting amendments do not impact on the effect of the modifications as set out below, and have been made for clarification purposes.

- 1.4 Annex J of this decision paper sets out the Statutory Notice of the Licence modification decision.

Document Structure

- 1.5 This document is set out as follows:
- **Section 1** provides an overview over the decision paper
 - **Section 2** provides an overview over the Licence modifications
 - **Section 3** sets out the UR's consideration of stakeholder responses and any changes from the consultation drafting of the Licence modifications;
 - **Section 4** sets out the conclusions, effects of the Licence modifications and next steps.
 - **Section 5** sets out the following Annexes:
 - **Annex A** shows the modifications to the BGTL Licence;
 - **Annex B** shows the modifications to the PTL Licence;
 - **Annex C** shows the modifications to the WTL Licence;
 - **Annex D** shows the modifications to the GNI (UK) Licence;
 - **Annex E** shows the modifications to the firmus Licence;
 - **Annex F** shows the modifications to the PNGL Licence;
 - **Annex G** shows the modifications to the SGN Licence;
 - **Annex H** shows a clean version of the drafting for the 'Connection Charges and Obligation to Connect' Conditions for high pressure Licences⁴;
 - **Annex I** shows a clean version of the drafting for the 'Connection Charges and Obligation to Connect' Conditions for low pressure Licences⁴;
 - **Annex J** contains the Statutory Notice.

⁴ Clean copies have been provided for clarity as the changes to the drafting of these sections were substantial.

2 Overview of Licence Modifications

2.1 This section provides an overview of the Licence conditions affected by the modifications:

- Table 1 below sets out the current and modified sub conditions of the 'Connection Charges and Obligation to Connect' Conditions for high pressure Licences;
- Table 2 below sets out the current and modified sub conditions of the 'Connection Charges and Obligation to Connect' Conditions for low pressure Licences;
- Table 3 below sets out an overview over further consequential Licence changes for high pressure Licences.
- Table 4 below sets out an overview over further consequential Licence changes for low pressure Licences.

Table 1: Overview of current and modified sub conditions of ‘Connection Charges and Obligation to Connect’ Condition for high pressure Licences

Name of Sub Condition	BGTL		PTL		WTL		GNI (UK)		Main Driver(s) for modification
	Current	Modified	Current	Modified	Current	Modified	Current	Modified	
Statement of connection charges and terms for connection to the Network	2.3.1	2.3.1	2.3.1	2.3.1	2.3.1	2.3.1	2.3.1	2.3.1	Standardisation
Explanation of connection charging methodology for introducing gas to the Network	2.3.9	2.3.2	2.3.9	2.3.2	2.3.9	2.3.2	2.3.10	2.3.2	Standardisation
Other requirements to be included in the statement	2.3.2	2.3.3	2.3.2	2.3.3	2.3.2	2.3.3	2.3.2	2.3.3	Standardisation
The statement to give likely indication of costs	2.3.3	2.3.4	2.3.3	2.3.4	2.3.3	2.3.4	2.3.3	2.3.4	Standardisation
Authority’s approval	2.3.4	2.3.5	2.3.4	2.3.5	2.3.4	2.3.5	2.3.4	2.3.5	Standardisation
Publication of and compliance with statement		2.3.6		2.3.6		2.3.6		2.3.6	2.3.6
Direction by the Authority	2.3.6(a)	2.3.7	2.3.6(a)	2.3.7	2.3.6(a) and (b)	2.3.7	2.3.7(a)	2.3.7	Standardisation
Revising connection charges	2.3.7	2.3.8	2.3.7	2.3.8	2.3.7	2.3.8	2.3.8	2.3.8	Standardisation
Compliance with a Direction	2.3.6(b)	2.3.9	2.3.6(b)	2.3.9	2.3.6(c)	2.3.9	2.3.7(b)	2.3.9	Standardisation
Connection and Quotation Requests	2.3.5(c)	2.3.10	2.3.5(c)	2.3.10	2.3.5(c)	2.3.10	2.3.5(c)	2.3.10	Standardisation, Regulatory Letter No. 1

Name of Sub Condition	BGTL		PTL		WTL		GNI (UK)		Main Driver(s) for modification
	Current	Modified	Current	Modified	Current	Modified	Current	Modified	
Treatment of Requests for Connection and Quotation	2.3.5	2.3.11	2.3.5	2.3.11	2.3.5	2.3.11	2.3.5	2.3.11	Standardisation, Regulatory Letter No. 1
Prohibition on undue discrimination	2.3.5(b), 2.3.10(b)	2.3.12	2.3.5(b), 2.3.10(b)	2.3.12	2.3.5(b), 2.3.10(b)	2.3.12	2.3.6, 2.3.11(b)	2.3.12	Standardisation
Connection of Premises – Requirement for Authority Approval		2.3.13		2.3.13		2.3.13		2.3.13	Regulatory Letter No. 1
Requests for Connection – Obligation to Connect	2.3.5(b), 2.3.13	2.3.14	2.3.5(b), 2.3.13	2.3.14	2.3.5(b), 2.3.12	2.3.14	2.3.14(a)	2.3.14	Standardisation, Regulatory Letter No. 1
Connection of other systems and facilities – Obligation to Connect	2.3.5(b), 2.3.10(b), 2.3.13	2.3.15	2.3.5(b), 2.3.10(b), 2.3.13	2.3.15	2.3.5(b), 2.3.10(b), 2.3.12	2.3.15	2.3.14(a)	2.3.15	Standardisation, Regulatory Letter No. 1
No obligation to connect premises	2.3.14	2.3.16	2.3.14	2.3.16	2.3.13	2.3.16	2.3.14(b)	2.3.16	Standardisation, Connection dispute
Resolution of disputes by the Authority	2.3.8	2.3.17	2.3.8	2.3.17	2.3.8	2.3.17	2.3.9	2.3.17	Standardisation
Interpretation and construction	2.3.12	2.3.18	2.3.12	2.3.18	2.3.14	2.3.18	2.3.13	2.3.18	Standardisation
Current Licence conditions without direct equivalent in proposed Licence drafting	2.3.5(a), 2.3.10(a), 2.3.11		2.3.5(a); 2.3.10(a), 2.3.11		2.3.5(a), 2.3.10(a), 2.3.11		2.3.5(a), 2.3.11(a), 2.3.12		Standardisation

Table 2: Overview of current and modified sub conditions of ‘Connection Charges and Obligation to Connect’ Condition for low pressure Licences

Name of Proposed Sub Condition	Firmus		PNGL		SGN		Main driver(s) for modification
	Current	Modified	Current	Modified	Current	Modified	
Statement of connection charges and terms for connection to the Network	2.3.1	2.3.1	2.4.1, 2.4.2	2.4.1	2.3.1	2.3.1	Standardisation
Connections by any pipe-line system to the Network		2.3.2		2.4.2		2.3.2	Standardisation
Explanation of connection charging methodology for introducing gas to the Network	2.3.9	2.3.3	2.4.10	2.4.3	2.3.10	2.3.3	Standardisation
Other requirements to be included in the statement	2.3.2	2.3.4	2.4.3	2.4.4	2.3.2	2.3.4	Standardisation, Standards of Performance Regulations
The statement to give likely indication of costs	2.3.3	2.3.5	2.4.4	2.4.5	2.3.3	2.3.5	Standardisation, Connection Dispute
Standards of Performance Regulations		2.3.6		2.4.6	2.3.8	2.3.6	Standardisation, Standards of Performance Regulations
Authority’s approval	2.3.4	2.3.7	2.4.5	2.4.7	2.3.4	2.3.7	Standardisation
Publication of and compliance with statement		2.3.8		2.4.8		2.3.8	Standardisation
Direction by the Authority	2.3.6(a)	2.3.9	2.4.7(a)	2.4.9	2.3.6(a)	2.3.9	Standardisation
Revising connection charges	2.3.7	2.3.10	2.4.8	2.4.10	2.3.7	2.3.10	Standardisation
Compliance with a Direction	2.3.6(b)	2.3.11	2.4.7(b)	2.4.11	2.3.6(b)	2.3.11	Standardisation
Quotation Requests	2.3.5(c)	2.3.12	2.4.6(c)	2.4.12	2.3.5(c)	2.3.12	Standardisation, Standards of Performance Regulations,

Name of Proposed Sub Condition	Firmus		PNGL		SGN		Main driver(s) for modification
	Current	Modified	Current	Modified	Current	Modified	
							Connection Dispute
Treatment of Request for Quotation	2.3.5	2.3.13	2.4.6	2.4.13	2.3.5	2.3.13	Standardisation
Accuracy of Quotations		2.3.14		2.4.14	2.3.15	2.3.14	Standardisation,, Standards of Performance Regulations, Connection Dispute
Prohibition on undue discrimination	2.3.5(b), 2.3.10(b)	2.3.15	2.4.6(b), 2.4.11(b)	2.4.15	2.3.5(b), 2.3.11(b)	2.3.15	Standardisation
Obligation to Connect		2.3.16		2.4.16		2.3.16	Standardisation, Connection Dispute
Connection Requirements	2.3.13, 2.3.15	2.3.17	2.4.18	2.4.17	2.3.13, 2.3.14	2.3.17	Standardisation, Connection Dispute
No obligation to connect premises		2.3.18		2.4.18		2.3.18	Standardisation, Connection Dispute
Resolution of disputes by the Authority	2.3.8	2.3.19	2.4.9	2.4.19	2.3.9	2.3.19	Standardisation
Interpretation and construction	2.3.12	2.3.20	2.4.13	2.4.20	2.3.16, 2.3.17	2.3.20	Standardisation, Standards of Performance Regulations, Connection Dispute
Current Licence conditions without direct equivalent in proposed Licence drafting	2.3.5(a), 2.3.10(a), 2.3.11, 2.3.14		2.4.6(a), 2.4.11(a), 2.4.12, 2.4.14, 2.4.15, 2.4.16, 2.4.17		2.3.5(a), 2.3.11(a), 2.3.12		Standardisation

Table 3: Overview of consequential Licence changes for high pressure Licences

Licence Change	BGTL	PTL	WTL	GNI (UK)
References to Consumer Council	1.4, 1.13	1.4, 1.13	1.4, 1.13, 2.2	1.4, 1.13
Dispute resolution	2.2.6	2.2.6	2.2.7	2.2.23
Compliance with System Operator Agreement	2.4A.5	2.4A.5	2.5.5	2.4A.5

Table 4: Overview of consequential Licence changes for low pressure Licences

Licence Change	Firmus	PNGL	SGN
References to Consumer Council	1.4, 1.13, 2.2, 2.2A, 2.3, 2.8, 2.9B	1.1, 1.5, 1.14, 2.2A, 2.3, 2.9, 2.9B	1.4, 1.13, 2.2, 2.16, 2.17, 2.18
Non standard gas meters			1.1, 2.12
Dispute resolution	2.2.6	2.3.6	2.2.6

3 Stakeholder Responses

Introduction

3.1 This section of the paper sets out the UR's consideration of responses received to the Statutory Consultation. We received 5 formal responses from:

- GNI (UK) Limited;
- The Mutual Energy Group (MEL, comprising Belfast Gas Transmission Limited, Premier Transmission Limited and West Transmission Limited);
- firmus energy (Distribution) Limited;
- Phoenix Natural Gas Limited; and
- SGN Natural Gas Limited.

This section includes a summary of the responses received. The full responses are published alongside this Decision Paper.

3.2 As a result of our consideration of the stakeholder responses one minor drafting amendment has been made to the modifications which were proposed in the Consultation published on 30th January 2018. This is highlighted in green in Annexes E-G This drafting amendments was made for clarification purposes and does not change the obligations of the Licensees in any way.

GNI (UK) Responses

GNI (UK) Comment – Condition 2.2.23 Resolution of Disputes

3.3 GNI (UK) considered that a dispute on charges for general use of system should be invoked in the first instance under dispute resolution provisions set out in Clause 25.2 of the Single Code of Operations effective in the Northern Ireland transmission market.

3.4 GNI (UK) also stated that the provisions of this new clause appear to infer the Consumer Council for Northern Ireland as the first dispute resolution body to be involved in a conveyance charge dispute and that if the Consumer

Council is unable to assist in resolution of the dispute, it is referred back to UR for determination. GNI (UK) added that Clauses 2.2.23 (b) and (c) state that the Authority may refer the matter to the Consumer Council, but Clause 2.2.23 (e) then states that if UR do not refer it to the Consumer Council, the Authority will make a determination accordingly. GNI (UK) stated that it was not clear on which basis/criteria the UR would refer (per part c) or not refer (per part e) the dispute/issue at hand to the Consumer Council. GNI (UK) welcomed clarity on the basis on which UR would/would not refer the dispute to the Consumer Council.

UR Response

- 3.5 The UR does not consider there to be any overlap between (a) the dispute resolution provisions proposed for inclusion in Condition 2.2 of the GNI (UK) Licence and (b) the dispute resolution provisions at Clause 25.2 of the NI Network Gas Transmission Code (the Single Network Code required under Condition 2.4D of the GNI (UK) Licence and other gas transmission Licences).
- 3.6 This is because:
- Paragraph 2.4D.1 (a) (i) of Condition 2.4D provides that the terms and arrangements set out in the Single Network Code are (are to be) arrangements 'other than those to which Conditions 2.2 and 2.3 relate'. As such, the proposed dispute resolution provisions for inclusion in Condition 2.2 would not relate to arrangements which are established by the licensee and set out in the Single Network Code.
 - The proposed dispute resolution provisions for inclusion in Condition 2.2 apply in respect of the 'terms of the agreement offered by' the licensee (i.e. GNI (UK)) pursuant to Condition 2.2. The Single Network Code is not an agreement offered by GNI (UK) pursuant to Condition 2.2.
- 3.7 In relation to GNI (UK)'s comment on the basis on which the UR would/would not refer the dispute to the Consumer Council we can clarify that the dispute will be dealt with in the first instance by the Consumer Council for Northern Ireland (CCNI). If resolution of the dispute by the CCNI was not successful, the dispute can then be escalated to the UR.

GNI (UK) Comment – Condition 2.3

- 3.8 As a general comment on the proposed Licence condition 2.3, GNI (UK) welcomed clarity that the changes proposed would only apply to new connection prospects and not to any connections that are currently being progressed.

UR Response

- 3.9 The Licence modifications will apply from the date on which they come into effect and will apply to any prospective connections after this date. This would include any enquiries that have been received and not progressed before the effective date.

GNI (UK) Comment – Conditions 2.3.1 Statement of Charges and 2.3.2 Explanation of Charging Methodology

- 3.10 GNI (UK) considered it important to note the margin of error associated with any pro-forma statement of charging for various connection types to the GNI (UK) network (or indeed any TSO (Transmission System Operator) network) and that each connection needs to be reviewed on a case by case basis to determine exact costings which will be a function of key factors such as distance to network, customer's specific load/pressure requirements, trenching environment to provide the connection etc.
- 3.11 GNI (UK) stated it can furnish the principles/methods on which connection requests would be assessed, but it needs to be recognised that any 'ready reckoner' costing principles would have a margin of error to consider. GNI (UK) also welcomed clarification that the published GNI (UK) connection policy (as revised) will be the appropriate place to fully address this Licence requirement going forward.

UR Response

- 3.12 The UR acknowledges this point however we consider that it should be possible for Licensees to provide the principles and methods by which connection requests will be assessed. It is this methodology that we wish to approve rather than each individual costing for a connection. The UR agrees that the connections policies would be the appropriate place to include this information.

GNI (UK) Comment – Condition 2.3.8 Revising connection charges

- 3.13 As with 2.3.2 above, GNI (UK) considered it important to note that a broad statement of charging methodology will have a margin of error and each specific connection will have an exact costing based on the specific requirements at hand. GNI (UK) also welcomed clarification that the published connection policy will be the appropriate place to fully address this Licence requirement going forward.

UR Response

- 3.14 As noted above, the UR considers that it should be possible for Licensees to provide the principles and methods by which connection requests will be assessed. It is this methodology that we wish to approve rather than each individual costing for a connection. The UR agrees that the connections policies would be the appropriate place to include this information.

GNI (UK) Comment – Condition 2.3.10 Connection Requests

- 3.15 GNI (UK) considered that given the nature of the operation of a high pressure network, any quotations provided within the timeframe would be purely indicative for the prospective client. Until a full site visit, full evaluation of customer requirements and a full design has taken place, any quotes provided within 28 days are indicative in nature. GNI (UK) also noted that when it comes to connection of another network to the GNI (UK) network, there would need to be ancillary documentation/terms discussed also e.g. Connected Systems Agreement (see clause 2.3.15 below).

UR Response

- 3.16 The UR acknowledges that a site visit may be required to provide a reasonably accurate quotation. The UR would expect that a reasonable timeframe for completion of a site visit would be included in the connection policies for all licensees, as well as a commitment to completing, within a reasonable timeframe, any further activities that may be required for exact costings to be provided. The UR notes the comment on connection of another network to GNI (UK)'s network and consider that this is dealt with by Licence condition 2.3.15.

GNI (UK) Comment – Condition 2.3.13 Connection to Premises – Requirement for Authority Approval

- 3.17 GNI (UK) welcomed clarity on the linkage between this clause and the provisions of 2.3.10. In condition 2.3.10, the UR have requested that specific UR approval is required to progress a quotation with a prospective client. GNI (UK) considered that condition 2.3.13 appears to infer a further UR approval before the site is connected and so requested clarification on whether a 2 stage approval process is required and at what juncture the second approval stage would apply (e.g. before signing of connection agreement?).
- 3.18 GNI (UK) stated that this is also important in the context of the fact that as the prospective connection progresses, GNI (UK) will have incurred costs in connection evaluation/design and drafting of relevant contracts. GNI (UK) therefore requested clarity on the recovery of these costs should UR decline the connection request at that juncture. GNI (UK) noted that in adhering to this Licence change, it will have to introduce a condition precedent to any future connection agreements post the Licence changes coming into effect. GNI (UK) noted furthermore that if there are any issues in securing UR approval, this may have an overall programme impact in terms of completion of connection.

UR Response

- 3.19 The UR can clarify that this is a one-step approval process which reflects the principle set out in Gas Regulatory Letter No 1⁵ that direct connection of a premises to a high pressure network requires UR consent. The principle is reflected in Licence condition 2.3.13. Condition 2.3.14(a) clarifies that where this consent is given, and the other relevant requirements as set out in condition 2.3.14(b) are complied with, the connection shall be made. Condition 2.3.10(b) and (c) address the implications of the approval process on the timelines for the quotation and connection process.

GNI (UK) Comment – Condition 2.3.14 Obligation to connect and Condition 2.3.15 Connection of other systems

- 3.20 In relation to condition 2.3.14 GNI (UK) highlighted that ‘relevant terms’ would need to include for example the securing of all necessary way leaves

⁵ https://www.uregni.gov.uk/sites/uregni.gov.uk/files/media-files/2015-04-29_GRL1.pdf.

in relation to the pipeline and connection. In relation to connection of another network, GNI (UK) considered that 'relevant terms' would need to specifically include:

- Execution of an enduring Connected Systems Agreement, and
- Confirmation of how commissioning/stock gas is being secured for the new network and how it will be transported accordingly through the NI network.

UR Response

3.21 The UR is content that 'relevant terms' could include these items, however we do not consider it necessary to set out in the Licence what 'relevant terms' would specifically include. The relevant terms required by each licensee in processing a connection request could be set out in each individual connection policy.

GNI (UK) Comment – Condition 2.4 A.5 Network Operator Agreement

3.22 GNI (UK) welcomed the amendment suggested by the UR that references to the Northern Ireland Network Operators Agreement would be replaced by the System Operator Agreement. GNI (UK) also proposed a number amendments in relation to the recent Licence changes made to reflect the introduction of the Single System Operator (SSO) Arrangements. These comments can be viewed in the stakeholder responses published alongside this Decision Paper.

UR Response

3.23 The UR has reviewed the comments in relation to the recent Licence changes made to reflect the introduction of the SSO Arrangements and considers that these were given due consideration and response in the related consultation⁶ and decision⁷ papers. Therefore we have not included any further discussion in this decision paper.

⁶ [Gas transmission licence modifications to implement single system operation, Consultation Paper, 24 March 2017.](#)

⁷ [Gas transmission licence modifications to implement Single System Operation, Decision Paper, 9 June 2017.](#)

MEL Response

- 3.24 MEL acknowledged the transfer of the requirements of Gas Regulatory Letter No 1⁵ into the proposed Licence drafting, transferring the requirement to comply with the side letter to the Licences. MEL noted that connection requests to high pressure networks are rare in comparison to the volume of requests to low pressure networks and as such include individual requirements specific to each applicant and location.
- 3.25 MEL also stated that the impact of those requirements on the local and wider high pressure network are assessed by undertaking studies and detailed modelling of the potential effect on the network now and into the future. MEL highlighted that it is for this reason a Statement of Connection Charges and Terms for Connection to high pressure networks only include high level estimated charges for a simple connection.

UR Response

- 3.26 The UR acknowledges that detailed consideration of the issues specific to the request, along with wider issues relating to the network may be required for high pressure connections requests. As such, the UR acknowledges that estimates for charges included in Statement of Connection Charges and Terms for Connection in these cases would be high level.

PNGL Response

PNGL General Comments

- 3.27 PNGL noted that the UR had sought informal feedback from PNGL and other relevant licensees prior to the publication of the consultation and were pleased to note that the proposed Licence modification is reflective of the outcome of these discussions.
- 3.28 PNGL noted that one of the key areas of discussion was UR's interpretation of an eligible customer within the meaning of the Gas Directive (Directive 2009/73/EC). The response also highlighted Condition 2.3.18(a) as having fundamental importance to PNGL in its right to refuse a connection if the making or maintaining of the connection involves danger to the public and /

or a risk to the safety of its network. PNGL stated that this right is essential to ensure that PNGL maintains the safety and integrity of its network and provides a safe environment for its employees, contractors, gas consumers and the general public.

- 3.29 PNGL also noted the proposed Licence modification would also provide the right to refuse a connection if it has reasonable grounds to believe the making of the connection would be in conflict with any public service obligation (where applicable). PNGL stated that this right of refusal is in accordance with the principles of the Gas Directive and was noted in UR's determination of the connection dispute referenced in the consultation. PNGL confirmed that it does not currently have any public service obligation assigned to it, but noted that it seems prudent to recognise this right of refusal in Licence should such a time arise.

UR Response

- 3.30 The UR acknowledges the points set out by PNGL in support of the Licence modifications.

PNGL Drafting Suggestions

- 3.31 PNGL had several comments on UR's proposed drafting of the Licence modification. In particular, PNGL suggested the following:
- (a) Changing "*...any conditions pursuant to 2.3.17...*" in Condition 2.3.16 to "*...any requirements pursuant to Condition 2.3.17...*". PNGL stated that this would bring further clarity to Condition 2.3.16 and ensure language is common across Condition 2.3; and
 - (b) Removing "*...including any Separate Business engaged in the supply of gas...*" from Condition 2.3.4(b) as reference to supply activities are not of relevance to PNGL. This would bring further clarity to Condition 2.3.4(b) and ensure consistency with the definition of "*Separate Business*" in Condition 1.1.6.

UR Response

- 3.32 The UR is content with suggestion (a) and has reflected this with a wording change in the low pressure Licences (Annexes E-G, with the change shown in green highlighted text).

- 3.33 The UR does not consider it necessary to remove the wording from Condition 2.3.4(b) as suggested. The wording is present due to the standardisation of the low pressure Licences.

PNGL response – Condition 2.3 Revising Connection Charges

- 3.34 PNGL also stated that Condition 2.3.10 would require PNGL to review its Connection Policy for compliance with the new Condition 2.3 and propose, and submit to UR for approval, any changes necessary in light of this review. PNGL welcomed discussion with UR on an appropriate timeframe to facilitate compliance with the new requirements once these take effect, as these proposed Licence modifications would significantly impact upon operations within PNGL (e.g. changes to Connection Policy, terms and conditions).

UR Response

- 3.35 The UR acknowledges the need to review the Connection Policies, and will engage with licensees to discuss the changes to the Connection Policies as will be required in light of this review as well as the timeframes for making such changes.

firmus energy response

- 3.36 In its response to the consultation firmus energy welcomed the transparency and clarity introduced to DNOs (Distribution Network Operator) and TSOs resulting from the proposed standardisation of Condition 2.3. firmus also welcomed the clarity from the proposed modifications introduced to the Licence regarding the definition of a ‘Relevant Person’ and the conditions under which the DNO is obligated to provide a connection to these persons. firmus recognised how these proposals, whilst providing protection to DNOs and suppliers, should also mitigate the risk of similar connection disputes as the example referenced and detailed within the Consultation. firmus considered that the proposed additional clarity and transparency will help prevent, if not resolve connection disputes relating to the making or refusal of a connection.
- 3.37 firmus requested that post-consultation, through the appropriate industry forums, there would be engagement with the UR and DNOs on Connection Policy amendments. firmus highlighted that stakeholder discussion will be

required to ensure Connection Policy alignment and consumer protection across all three Gas Network Areas. It was also requested that sufficient time be given by the UR for stakeholders to put in place any compliance measures that may result from the proposed Licence changes. firmus anticipated amendments to be required for both supply and distribution terms and conditions and the DNOs' individual Connection Policies. firmus also requested that if changes do result in compliance related matters, that these are addressed by the UR at the relevant industry forums.

- 3.38 firmus considered that any issues resultant from this Consultation's findings relating to revenue protection and meter tampering and connections/disconnections should be considered, where relevant, as part of the on-going Energy Theft Code of Practice discussions.

UR Response

- 3.39 The UR welcomes the support from firmus on the Licence modifications. We recognise the need for sufficient engagement with DNOs on Connection Policy amendments. This will form part of our next steps and we will discuss with DNOs the relevant timeframes and actions needed to bring about the necessary changes.
- 3.40 The UR notes the comment on the Energy Theft Code of Practice discussions. Whilst the Consultation on the proposed Licence modifications to the 'Connection Charges and Obligation to Connect' Licence condition did not focus on issues relating specifically to revenue protection, meter tampering and associated connections/disconnections, the UR agrees that these issues could be considered in the development of industry procedure on the Theft Code of Practice.

SGN response

- 3.41 SGN considered that, further to the ongoing engagement on the Licence modifications and the consultation document published 30th January 2018, the proposed changes are appropriate for standardising the Licence conditions for each Network Operator.

UR Response

- 3.42 The UR welcomes this support for the Licence modifications.

4 Conclusions and Next Steps

Conclusions

- 4.1 The UR has considered the responses received and considers that the modifications set out in the notice published by the UR pursuant to Article 14(2) of the Gas Order, on 30th January 2018, should be made with the additional drafting amendments as highlighted in green in Annexes E-G. These additional drafting amendments do not impact on the effect of the modifications as set out below, and have been made for clarification purposes.

Summary of Effects

- 4.2 The Licence changes will achieve standardisation of the 'Connection Charges and Obligation to Connect' condition across high and low pressure Licences. In addition, and as a result, there are a number of consequential changes to other conditions in the high and low pressure Licences.
- 4.3 The changes also reflect the findings of a recent connection dispute. These provisions mean that 'any person' can request a connection, and the Licensee has an obligation to provide such a connection. The Licences now set out in clear terms the circumstances in which a connection be refused.
- 4.4 The requirements of the Gas (Individual Standards of Performance) Regulations (Northern Ireland) 2014 are now reflected in the Licences where relevant.
- 4.5 In line with the Gas Regulatory Letter No. 1 the Licence obligations require the licensee to obtain approval from the Authority before making a connection between any premises (other than any premises which may constitute a Storage Facility or an LNG (Liquefied Natural Gas) Facility) and the Network.
- 4.6 The Licence modifications will ensure consistency of the dispute resolution provisions with regard to connections and conveyance charges.
- 4.7 The changes will require Connection Policies to be updated to reflect the modifications.

4.8 Finally, the Licence modifications will enhance accuracy, transparency, clarity and readability of Licence drafting. The changes also enhance consistency and help to ensure equivalent regulatory treatment of all Licensees.

4.9 The UR has also concluded that the Licence modifications will better facilitate the achievement of our statutory objectives.

Next Steps

4.10 The Licence modifications will come into effect on 25 June 2018⁸ - the 'effective date'.

4.11 Following the publication of this paper, the UR will engage with Licensees to agree a timeline and the actions required to update the individual Connections Policies to reflect the Licence modifications.

4.12 In line with the conditions coming into force on 25 June 2018, the UR would consider it best practice for Licensees to keep a record of all actions taken in relation to any decision not to make or maintain a connection, including attempts made to contact a customer. This aligns with our decisions on correspondence relating to disconnections in the [Energy Theft Code of Practice Decision Paper](#).

4.13 The UR would wish to thank the Licensees for their extensive and ongoing engagement in bringing the Licence modifications to fruition.

⁸ This date assumes that there is no challenge to the Licence modifications.

5 Annexes

[Annex A - modifications to the BGTL Licence](#)

[Annex B - modifications to the PTL Licence](#)

[Annex C - modifications to the WTL Licence](#)

[Annex D - modifications to the GNI \(UK\) Licence](#)

[Annex E - modifications to the firmus Licence](#)

[Annex F - modifications to the PNGL Licence](#)

[Annex G - modifications to the SGN Licence](#)

[Annex H - clean version of the drafting for the 'Connection Charges and Obligation to Connect' Conditions for high pressure Licences](#)

[Annex I - clean version of the drafting for the 'Connection Charges and Obligation to Connect' Conditions for low pressure Licences](#)

[Annex J - Statutory Notice](#)