

Notice under Article 14(3) of the Gas (Northern Ireland) Order 1996

The Northern Ireland Authority for Utility Regulation (hereinafter referred to as “the Authority”) pursuant to Article 14(3) of the Gas (Northern Ireland) Order 1996 as amended, hereby gives notice as follows:

The Authority proposes to modify Condition 2.3.18 of the gas conveyance licence held by **Phoenix Natural Gas Limited** (the “Licence”) in the manner set out below.

The effect of the proposed modification would be to change the value attributable to the term ‘TRV’ in the price control conditions of the Licence applying during 2012 and 2013 by removing from that value certain amounts that are attributable to previous outperformance and deferred capital expenditure that are currently included in it.

The reasons for this proposed change, which should be considered in the context of the Authority’s general decisions in relation to the price control conditions of the Licence, are set out in detail in the document entitled “Phoenix Natural Gas Price Control Review 2012-2013 Final Decisions” – in particular in Section 7 of the document. The document may be found on the website of the Authority at <http://www.uregni.gov.uk/>.

Representations or objections to the proposed modification may be made before 5 pm on 7 February 2012 to Carl Hashim either by way of post at The Utility Regulator, Queens House, 14 Queen Street, Belfast BT1 6ED or e-mail at carl.hashim@uregni.gov.uk.

The Proposed Modification

The proposed modification is shown below in red – the figures which are shown as struck through are to be deleted, and the words and figures shown as underlined are to be inserted in their place.

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

$TRV_{B,n}$ is the Best Available Total Regulatory Value at the end of Formula Year $t = n$. It is the sum of the Best Available Depreciated Asset Value for Formula Year $t = n$ (or in other words the opening position at the beginning of Formula Year $t = n + 1$), plus the Best Available Working Capital for Formula Year $t = n$ (or in other words the opening position at the beginning of Formula Year $t = n + 1$), plus the Best Available Capital Creditors for Formula Year $t = n$ (or in other words the opening position at the beginning of Formula Year $t = n + 1$), plus the Best Available Profile Adjustment as follows:

$$TRV_{B,n} = DAV_{B,n} + Q_{B,n} + CC_{B,n} + PA_{B,n}$$

Where:

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

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

In respect of Formula Year $t =$ ~~2006~~ 2011 (year end), $TRV_{F,t} =$ ~~£312.8m~~ £376.3m.