

## **Annex C – Proposed Modifications to WTL Licence**

This Annex sets out the proposed modifications to the WTL conveyance licence.

- Proposed deletions are indicated by red text which has been struck through.
  - Proposed additions are indicated by red text which is underlined.
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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; 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 6 months before the First Operational Commencement Date;~~
- ~~(b) ensure that the Network Code contains provisions that establish:
  - ~~(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;~~
- ~~(e) — 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 Definitions~~

~~In this Condition:~~

~~**“User”**~~

~~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.~~

2A.4.3 The PSA's functions

2A.4.3.1 The PSA Agreement shall, in accordance with Condition 2A.4.1.1, impose on the PSA the following functions (referred to as the "PSA Functions"):

- (a) the receipt from each of the Designated Pipe-line Operators of the information to be submitted to the PSA pursuant to Condition 2A.2.3 of each Designated Pipe-line Operator's Respective Licence and the receipt from each of the Designated Pipe-line Operators of its Forecast Required Revenue for the coming Gas Year "t" and the following four Gas Years pursuant to its Respective Licence;
- (b) the calculation of the relevant Forecast Postalised Charges for the next Gas Year and the following four Gas Years through application of the Forecast Postalisation Formulae and notification thereof to all Designated Pipe-line Operators in each case within 5 Business Days of receipt of the information specified in (a) above;
- (c) the verification of payments into the PoT Account (to include keeping a record of all Debt Payments paid by each PS Gas Supplier in relation to particular PS Non-Payments) and prompt notification to Designated Pipe-line Operators of any PS Non-Payment and of any Recovery paid into the PoT Account;
- (d) the calculation of any VAT Distributions due in respect of sums received into the PoT Account from PS Gas Suppliers on the date of calculation of the Monthly Distribution in the relevant month (month "m"), ~~provided that where a sum is received from a PS Gas Supplier in respect of PS Transmission Payments and such sum is insufficient to meet both the PS Transmission Payments and VAT due on such PS Transmission Payments in full the PSA shall calculate the VAT element of the amount so received, calculated as;~~

$$\text{VATLm} = \frac{(\text{VILm} - 1 / \text{TILm} - 1)}{\text{TARLGm}}$$



~~VATL = the aggregate amount of VAT Distributions for the relevant Designated Pipe-line Operator "L" for month "m"~~

~~VIL<sub>m-1</sub> = the sum of VAT amounts invoiced by the relevant Designated Pipe-line Operator "L" in the preceding month ("m-1")~~

~~TIL<sub>m-1</sub> = the sum of all amounts including VAT payable for PS Transmission Payments invoiced by the relevant Designated Pipe-line Operator "L" in the preceding month ("m-1")~~

~~TARLG<sub>m</sub> = the sum of all amounts received into the PoT Account from the relevant Designated Pipe-line Operator "L"'s PS Gas Suppliers in month "m" in respect of the amounts referred to in the definition of the term TIL<sub>m-1</sub> above.~~

- (e) notification to the Designated Pipe-line Operators of any part or full settlement of PS Non-Payments by PS Gas Suppliers made on or before the Second Due Date in relation to such PS Non-Payments and the issue of directions to the Trustee to distribute such settlements payments according to Condition 2A.6.
- (f) on the Debt Notice Date each month the calculation of the Net Debt Position and each Designated Pipe-line Operator's Debt Entitlement and, where applicable, any Debt Payment or Debt Repayment to be charged or credited to each PS Gas Supplier and the issue to Designated Pipe-line Operators and the Authority of a notice (a "Debt Notice") in relation to any such Debt Payment and/or Debt Repayment arising which shall contain:
  - (i) details of any PS Notified Debt and interest thereon and any Recovery to which such Debt Payments/Repayments relate;
  - (ii) details of the relevant Designated Pipe-line Operator's Debt Entitlement;
  - (iii) particulars of the Debt Payment or Debt Repayment to be charged or credited to each PS Gas Supplier;

- (iv) sufficient information concerning the Total Monthly Payments and Auxiliary Payments in any period relevant to the calculation of Debt Payment or Debt Repayment to permit verification of the calculations of Debt Payment or Debt Repayment in the Debt Notice.
- (g) the calculation of the Year-End Postalised Charges and any Capacity Reconciliation Payments and Commodity Reconciliation Payments applicable to each PS Gas Supplier in accordance with the provisions of Condition 2A.2.6.3 and Condition 2A.2.6.4; and the notification of the results of all such calculations to all Designated Pipe-line Operators and to the Authority no later than the 1st Business Day in December after the end of each Gas Year;
- (h) the calculation as soon as reasonably practicable, and within 5 Business Days of receipt of all relevant information in accordance with Condition 2A.6.1.3 of the Year-End Amount, if any, to be paid by or to each of the Designated Pipe-line Operators in respect of the previous Gas Year;
- (i) the calculation of upstream tariffs as required under the terms of Designated Pipe-line Operators' licences and notification to the respective Designated Pipe-line Operator and the Authority, no later than the ~~17~~20 Business Day in ~~July~~April;
- (j) on or before the 5th Business Day following each Due Date the calculation in respect of each Designated Pipe-line Operator of the applicable Monthly Postalised Entitlements and Monthly Distributions in respect of the relevant month; and the issue of appropriate directions to the Trustee for the purpose of implementing Condition 2A.6 so that any such Monthly Distributions are made to Designated Pipe-line Operators as soon as possible and at least within 7 Business Days of the Due Date;
- (k) calculation of any additional sums due by way of Monthly Distribution in respect of any sum received into the PoT Account after the issue of

instructions to the Trustee in accordance with (j) above and before the next Debt Notice Date;

- (l) following the end of each Gas Year, the calculation, recording and notification to the Authority and the Designated Pipe-Line Operators not later than the 10th Business Day in December of the next Gas Year of the amount of any Commodity Reconciliation Payments which would have been payable by each PS Gas Supplier in respect of each Gas Year but for the application of the 15%  $\Sigma$ MPCoM<sub>Pst</sub> cap contained in Condition 2A.2.6.4(e). Such amounts in respect of each Gas Year and each PS Gas Supplier shall be defined as the “Unrecovered Postalisation Payments” (“UNRP<sub>t</sub>”) and shall be calculated in accordance with the following formula:

$$\text{UNRP}_t = (\text{YEPCoM}_{\text{Ct}} - \text{FPCoM}_{\text{Ct}}) \times \text{PS Annual Exit Quantity} - \Sigma\text{CoM}_{\text{RP}_t}$$

where  $\Sigma\text{CoM}_{\text{RP}_t}$  is equal to all Commodity Reconciliation Payments as determined under Condition 2A.2.6.4 (e) in Gas Year “t”

- (m) the re-calculation of the Forecast Postalised Charges as required under Condition 2A 2.5.2 and Condition 2A.2.5.3 within three Business Days of receipt of adjusted figures from the Authority.
- (n) The division of any amounts in respect of Termination Payments received into the PoT Account:
  - (aa) between Designated Pipe-Line Operators where two or more Designated Pipe-line Operators have invoiced such payments to the same PS Gas Supplier in the same month, in proportion to the relevant invoices;
  - (bb) between that part of Termination Payments payable in respect of PS Transmission Charges relating to the Gas Year in which termination occurs and that part of Termination Payments related to future Gas Years, the allocation to be made in such a way that:

- (i) Termination Payments shall be applied first in respect of sums due in respect of PS Transmission Charges in the Gas Year in which termination occurs; and
- (ii) secondly, in respect of Termination Payments related to future Gas Years.

The PSA shall notify the Designated Pipe-line Operators of the sums allocated and issue directions to the Trustee to transfer the part of any such Termination Payment applicable to future Gas Years to the relevant Primary DPO in accordance with Condition 2A. 6.1.4.

### 6.5.6 Capitalised Interest

For the purposes of this Condition 6.5, the Capitalised Interest (CI) term is the value of capitalised interest, at the month in which the First Operational Commencement Date occurs, calculated in accordance with the following formula:

~~$$CI = \sum_{m=i}^0 \left( CE_m \cdot \prod_{r=i}^m (1 + CIR_m) - CE_m \right) + \sum_{m=1}^N \left( CE_m \cdot \prod_{r=1}^m (1 + rn_m)^{-1} - CE_m \right)$$~~

$$CI = \sum_{m=i}^{-1} \left( CE_m \cdot \prod_{r=m}^{-1} (1 + CIR_r) - CE_m \right) + \sum_{m=1}^N \left( CE_m \cdot \prod_{r=1}^m (1 + rn_r)^{-1} - CE_m \right)$$

Where:

$CE_m$  is the Actual Capital Expenditure in month  $m$ ;

$CIR_m$  is the Capitalised Interest Rate for month  $m$ , being  $(1 + \text{LIBOR} + 0.5\%)^{(1/12)} - 1$  where LIBOR is the annual LIBOR rate at the first business day of each month;

$m = i$  is the month of October 2014, being the first month from which Capitalised Interest will be charged;

$\theta$  is the month in which the First Operational Commencement Date occurs;

$m=1$  is the first month after the month in which the First Operational Commencement Date occurs;

$N$  is a number of months after the month in which the First Operational Commencement Date occurs.

$rn_m$  is the regulatory allowed nominal weighted average rate of return in month  $m$ , and shall be calculated as follows:

$$rn_m = ((1 + \text{FFMIR}) (1 + \text{IMIR})) - 1$$

where:

$i_{m-r}$  is the RPI rate of inflation in month  $m$ -month  $r$  calculated as follows

$$i_{m-r} = (RPI_m - RPI_r) / RPI_m RPI_{r-1} - 1$$

### 6.5.7 Grants Received

For the purposes of this Condition 6.5, the Grant Funding (G) term is the value at the First Operational Commencement Date of grants received in respect of the Network, and shall be calculated in accordance with the following formula:

~~$$G = \sum_{m=p}^0 \left( AMGR_m \prod_{r=p}^m (1 + CIR_r) \right) + \sum_{m=1}^N \left( AMGR_m \cdot \prod_{r=1}^m (1 + rn_r)^{-1} \right)$$~~

$$G = \sum_{m=p}^{-1} \left( AMGR_m \prod_{r=m}^{-1} (1 + CIR_r) \right) + AMGR_0$$

$$+ \sum_{m=1}^N \left( AMGR_m \prod_{r=1}^m (1 + rn_r)^{-1} \right)$$

Where:

$AMGR_m$  is the actual monthly grant receipt amount audited and approved by the Authority as being equal to the amount of capital grant actually received by the Licensee in each calendar month ending prior to and after the First Operational Commencement Date in respect of the design, development and construction of the Network;

$CIR_r$  is the Capitalised Interest Rate for month  $r$ , being  $(1 + LIBOR + 0.5\%)^{(1/12)} - 1$  where LIBOR is the annual LIBOR rate at the first business day of each month;

$rn_r$  is the regulatory allowed nominal weighted average rate of return in month  $r$ ;

$m = p$  is the first month in which an amount of capital grant is received by the Licensee, where that month is before the month in which the First Operational Commencement Date occurs.

$\theta_{m=0}$  is the month in which the First Operational Commencement Date occurs;

$m=1$  is the first month after the month in which the First Operational Commencement Date occurs;

$N$  is a number of months after the month in which the First Operational                     Commencement Date occurs.