

Proposed PTL Licence drafting for Postalisation

Special Condition 2.1A

2.1A.1 Provisions Relating to Exit Charges for Gas Years post the Designation Date

- (a) With effect from the Designation Date and at any time when a Designation Order is in force, subject to subparagraph (b), **Conditions 2.1.1, 2.1.2 and 2.1.4 shall cease to apply for the purpose of charging suppliers.**
- (b) Save where the context otherwise requires, definitions, words, expressions, letters and other symbols that appear in this Condition shall have the meanings set out in Conditions 2.1.4, 2.1.5 and 2.1.6. **In Condition 2.1.6 in the definitions of "F" and "NC" the words " Gas Year" shall replace "Formula Year" wherever they appear and Gas Year 9 = Gas Year 1 (2004/5) in this Condition, and in the definition of "Formula Year" all the words after "Start Date" where those words first appear shall be deleted.** Words and expressions used in this Condition 2.1A which are defined in Part 2A of the Licence shall have the meaning ascribed to them in that Part.
- (c) Without prejudice to any other provisions of the Licence, the Authority shall be entitled on reasonable prior notice to inspect those records of the Licensee reasonably sufficient to enable it to satisfy itself as to matters falling within the subject of this Condition 2.1A.
- (d) The Licensee shall in submitting or calculating any forecasts or estimates required to be submitted or calculated under this Condition 2.1A use all reasonable endeavours to ensure that it submits or calculates the best forecasts or estimates reasonably achievable, based on the most comprehensive, current information obtainable at the time of submission or calculation.

2.1A.2 Charges to be subject to Revenue Determination Formula during Intended Designation Period

- (a) In respect of any Relevant Gas Year for so long as a Designation Order is and remains in force in respect of all or any part of the Network, the Licensee shall ensure that:
- (i) its Forecast Required Revenue to be notified to the Authority and the PSA in accordance with 2.1A.2(b) and 2.1A.2(c) shall be calculated in accordance with Condition 2.1A.4; and
 - (ii) its Actual Required Revenue to be notified to the Authority and the PSA in accordance with Condition 2.1A.2(d) shall be calculated in accordance with Special Condition 2.1A.3.
- (b) No later than the fifteenth Business Day in June in any Relevant Gas Year the Licensee shall provide to the Authority its calculation of Forecast Required Revenue for the next Relevant Gas Year together with such explanations and supporting information as may be reasonably necessary to permit the Authority to be satisfied that the Forecast Required Revenue is a reasonable forecast in accordance with Condition 2.1A.1(d).
- (c) If, by not later than two weeks after the provision of the calculation of Forecast Required Revenue pursuant to Condition 2.1A.2(b), the Authority, having considered the Licensee's forecast in light of such information as may be submitted by the Licensee, notifies the Licensee, by notice accompanied by an explanation of its conclusions, that it considers that the forecast supplied is not a reasonable forecast of the Licensee's Forecast Required Revenue for the next Relevant Gas Year, the Licensee shall review the forecast in the light of the Authority's explanation and submit a revised forecast to the Authority within fourteen days of the date of the notice, which, for the avoidance of doubt, may be the same as the original forecast.
- (d) No later than the fifteenth Business Day in July in any Relevant Gas Year the Licensee shall provide to the PSA its calculation of Forecast Required Revenue, pursuant to Condition 2.1A.2(b), as varied pursuant to Condition 2.1A.2(c), in respect of the next Relevant Gas Year for the purpose of calculation of the Forecast Postalised Charges in accordance with Part 2A of this Licence.

- (e) No later than the tenth Business Day in November after the end of each Relevant Gas Year the Licensee shall provide to the Authority and to the PSA its calculation of Actual Required Revenue and shall, at the same time, provide to the Authority such explanations and supporting information as may be reasonably necessary to permit the Authority to verify that the Actual Required Revenue has been calculated in accordance with the Formula.
- (f) No later than ten business days after the end of each quarter, the Licensee shall provide a operational expenditure report detailing actual costs in relation to the forecasts made for unpredictable operating costs and Bord Gais charge for operational costs (MC6) in that relevant gas year.

2.1A.3 Definition of words and expressions

“Gas Year”	means a period beginning at 0.600 hours on 01 October in any calendar year and ending at 0.600 hours on 01 October in the next succeeding calendar year.
“Relevant Gas Year”	means a Gas Year commencing on or after the Designation Date.
" Intended Designation Period"	means the period from the date of coming into effect of this Condition until 30 th September 2021

2.1A.4 The Actual Required Revenue

The Actual Required Revenue ("ARRt") for the Economic Network in each Relevant Gas Year commencing in the first Gas Year in respect of which a Designation Order is in effect in respect of the Network shall be calculated as follows:-

$$\text{ARRt} = \text{ADMct} + \text{AUOct} + \text{PAAt}$$

where

$$\begin{aligned}
 \text{ADMC}_t &= \text{The aggregate of the notional Adjusted Monthly Charges} \\
 &\quad \text{for all gas suppliers for each Relevant Gas Year and at the end} \\
 &\quad \text{of the Relevant Gas Year} \\
 &= (\text{BMC} - \text{EGA}) \times \frac{\text{PPI}_{pa} - \text{UC}}{\text{PPI}_{ra}}
 \end{aligned}$$

(Note: The ADMC_t differs from the ADMCs in the current Licence Condition 2.1.4 in that PPI_m and PPI_r have been replaced with the indices PPI_{pa} and PPI_{ra} in order to allow earlier calculation at year end, in that the proposed modification Condition 2.1.4 of 1st October, 1999, the addition of $x B$, is not applied and in that individual allocation of charges to gas suppliers via the ratio BATs/TAT or BATs/BAT_b is not applied)

AUOC_t = the total amount of Licensee Unpredictable Operating costs incurred by the licensee in the relevant gas year t

PPI_{pa} = means the arithmetic average value of the Producer Prices Index in the three Months ending the earlier of one month prior to the month in respect of which any Adjusted Monthly Charge is calculated or the latest month in year t to which PPI figures have been published on the 5th Business Day of November of year $t+1$.

Postalisation Adjustment

In each Gas Year a Postalisation Adjustment figure shall be calculated. The Postalisation Adjustment for the purposes of the determination of Total Allowed Transmission Revenue in Gas Year t will be an allowance (which could be positive or negative) comprised of the sum of the amounts set out in Conditions 2.2.1(i)(i) to 2.2.1(i)(iii) inclusive together with any other amounts deemed by the Authority to be necessary or appropriate, to be determined in accordance with the procedure set out in Condition 2.2.1(i)(iv):

- (i) costs associated with the PSA and trustee;

- (ii) amounts due in respect of Commodity Reconciliation Payments, calculated according to the following formula:-

$$\text{UNRPT}_{t-2} \times (1+\text{RE})^{1.5} \times \frac{\text{CPI}_t}{\text{CPI}_{t-2}} \times \left[\frac{\text{ARR}_L^{t-2}}{\text{PS ARR}^{t-2}} \right]$$

where, for the purposes of this Condition 2.2.1(i):

UNRPT_{t-2} = unrecovered postalisation payments as calculated by the PSA;

CPI_t = the forecast of the absolute value of the Consumer Prices Index for the Gas Year t, as published in the preceding year's May edition of the Bank of England Inflation Report or where no such forecast is published, such other forecast as the Authority may after consultation with the Licensee determine to be appropriate in the circumstances;

CPI_{t-2} = the absolute value of the General Index of Consumer Prices –All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) for the Gas Year t-2, or if such index is no longer published such comparable alternative as the Authority deems appropriate;

ARR = in respect of a Gas Year, the Licensee's Actual Required Revenue, which shall be equal to its Total Allowed Transmission Revenue as determined in accordance with the Formula;

PS ARR = in respect of a Gas Year, the sum of the Actual Required Revenues (as defined in their respective licences) of all Designated Pipe-line Operators in respect of such Gas Year;

- RE = the applicable real interest rate, which is calculated as the one-year LIBOR rate, as published on the 10th business day of June in the preceding Gas Year, plus 2% minus CPI_t ;
- (iii) such amount as the Authority may deem appropriate in respect of costs incurred by the Licensee in connection with approved activities in relation to the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland.
- (iv) (aa) No later than 1st June in each Gas Year, the Licensee shall submit to the Authority a proposed figure for the Postalisation Adjustment, together with any information it feels necessary to justify that figure.
- (bb) If the Authority, following verification and consideration of such additional information as may be submitted by the Licensee, approves the Licensee's proposed Postalisation Adjustment, then the figure submitted by the Licensee pursuant to Condition 2.2.1(i)(iv)(aa) shall be the Postalisation Adjustment for the purposes of determining Total Allowed Transmission Revenue.
- (cc) If the Authority, following verification and consideration of such additional information as may be submitted by the Licensee, considers that the Licensee's proposed figure should be approved subject to modification, then the figure submitted by the Licensee pursuant to Condition 2.2.1(i)(iv)(aa), as modified in the manner notified to the Licensee by the Authority following consultation with the Licensee, shall be the Postalisation Adjustment for the purposes of determining Total Allowed Transmission Revenue.

2.1A.5 The Forecast Required Revenue

The Forecast Required Revenue for each Relevant Gas Year shall be calculated as follows:-

$$\text{FRR} = \text{FACC} \times \left(\frac{\text{PPI}_{\text{ft}}}{\text{PPI}_{\text{ra}}} \right) + \text{FABO} + \text{FLUOC} + \text{PA}t - \text{FUR}t$$

Where:

FRR = the Forecast Required Revenue

FLUOC = the Forecast Annual Licensee Unpredictable Operating Costs

FACC = that component of the FRR attributable to prior direct Capital Costs, the Bord Gais Advance Capital Contribution and Licence Predictable Operating Charges less EU Grant calculated accordance with the following formula:

$$= (\text{MC1} + \text{MC2} + \text{MC3} + \text{MC4} + \text{MC5} - \text{EGA}) \times 12$$

FABO = that component of the FRR attributable to the forecast of the total amount of Bord Gais Charge for Operational Costs (MC6) for the relevant year, calculated accordance with the following formula:

= Forecast of Annual Bord Gais Charges

PPI_{ft} = the forecast of the Producer Price Index for the Relevant Gas Year t. The forecast shall be derived from the figures published from time to time by the Office of National Statistics where such a forecast exists. In the absence of such a forecast the following will apply:

$$\text{PPI}_{\text{ft}} = \text{PPI}_{\text{at-1}} \times (\text{PPI}_{\text{at-1}} / \text{PPI}_{\text{at-2}})$$

Where

PPI_{at} = the actual Producer Price Index in the month

starting one month prior to the end of Relevant Gas
Year t

FUR_t = The forecast of revenue receivable by the Licensee from business upstream of the Northern Ireland high water mark in Relevant Gas Year t; and for the avoidance of doubt

MC1, MC2 and MC3 are set out in the table below:

	Forecast Capex	Actual Capex	Monthly Repayment
On-land Scotland	43,900,000	44,840,875	MC1= £379,019
Under-Sea	56,200,000	41,484,728	MC2= £432,725
Northern Ireland	10,300,000	10,416,157	MC3= £90,760

and EGA = £361,249

2.1A.6 UC Charges

The UC Charges shall be calculated by the licensee and shall comprise a UC Commodity Charge calculated in accordance with Condition 2.1A.6.1 and a UC Capacity Charge calculated in accordance with Condition 2.1A.6.2. In this Condition 2.1A.6 the expression "UC" means in respect of the Licensee's business upstream of the Northern Ireland high water mark.

2.1A.6.1 Forecast UC Commodity Charge

- (a) The UC Commodity Charge to be charged to each UC gas supplier in respect of each MWh of gas allocated to each such gas supplier under the Network Code in

respect of each UC Exit Point shall be calculated by the licensee in accordance with the following formula:

$$\text{UCComC} = \frac{(\text{PSFRR} + \text{FUR}) * \text{Commodity Percentage}}{(\text{PS Forecast Annual Quantity} + \text{UC Forecast Annual Quantity})}$$

Where:

“UCComC” means the Forecast UC Commodity Charge;

“UC Forecast Annual Quantity” means the aggregate of the total quantity of gas measured in MWh in respect of a Relevant Gas Year which UC gas suppliers forecast will exit upstream of the Northern Ireland high water mark; and

(b) A monthly UC Commodity Payment shall be calculated in accordance with the following formula in respect of gas allocated to each UC gas supplier in respect of the previous month, the components of which shall be in respect of month m in relevant Gas Year t and shall be payable by UC gas supplier s:

$$\text{MUCComP}_s = \text{UCComC} \quad \times \quad \text{MUCEQ}_s$$

Where

MUCComP_s means the monthly UC Commodity Payment payable by UC gas supplier s in respect of month m of the relevant Gas Year t;

UCComC means the UC Commodity Charge applicable in respect of Relevant Gas Year t in accordance with Condition 2.1A.6.1 (a); and

MUCEQ_s means the UC Exit Quantity allocated to UC gas supplier s in respect of an UC Exit Point and in respect of month m.

2.1A.6.2 Forecast Postalised Capacity Charge

(a) The UC Capacity Charge to be charged to each UC gas supplier in respect of each MWh/d of UC Firm Capacity in respect of a Relevant Gas Year shall be

calculated by the licensee in accordance with the following formula:

$$\text{UCCapC} = \frac{(\text{PSFRR} + \text{FUR}) * \text{Capacity Percentage}}{(\text{PS Initial Firm Capacity} + \text{UC Firm Capacity})}$$

Where:

“UCCapC” means the Forecast UC Capacity Charge;

“UC Firm Capacity” means at any relevant time in respect of a UC gas supplier, capacity (in MWh/day) allocated at such time by the Licensee to such UC gas supplier on a firm basis in respect of an UC Exit Point in accordance with the provisions of the Network Code and in respect of a Relevant Gas Year (or any part thereof);

(b) A monthly UC Capacity Payment shall be calculated in accordance with the following formula in respect of the UC Firm Capacity held by that UC gas supplier, the components of which shall be in respect of month m in Relevant Gas Year t and shall be payable by UC gas supplier s:

$$\text{MUCCapP}_s = \text{FURCapC} \times \text{UCFC}_s$$

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MUCCapPs means the monthly UC Capacity Payment payable by UC gas supplier s in respect of month m of Relevant Gas Year t;

FURCapC means the Forecast UC Capacity Charge applicable in respect of Relevant Gas Year t in accordance with [2A.2.6.2(a);] and

UCFC_s means the UC Firm Capacity held by UC gas supplier s in respect of Relevant Gas Year t.

2.1A.7 Revenue Commitments

2.1A.7.1 Supplemental Commodity Payment

The Licensee shall charge a supplemental commodity charge (in additional to the PS transmission charge) to the Committed Supplier, if at the end of any relevant gas year:

$$\text{CSCP} \times \frac{\text{ARR}_L}{\text{PSARR}} < \left[(\text{ARR}_L \times (1-F)) - \text{ARR}_L \times (\text{cap}) - \text{OTHCP} \times \frac{\text{ARR}_L}{\text{PSARR}} \right]$$

that supplemental commodity charge shall be

$$\text{ARR}_L \times (1-F) - \text{ARR}_L \times (\text{cap}) - (\text{OTHCP} + \text{CSCP}) \times \frac{\text{ARR}_L}{\text{PSARR}}$$

Committed Supplier means a gas supplier supplying gas to Premier Power Limited who has a contract in place with Premier Power Limited at the time of Grant of licence.

CSCP = Committed Supplier postalisation commodity payments during the Relevant Gas Year, not including any commodity reconciliation payments

OTHCP = Other suppliers postalisation commodity payments during the Relevant Gas Year, not including any commodity reconciliation payments

F = (in accordance with Condition 2.1.6) the value in respect of the following Gas Year taken from the following table [New Table]

(cap) = the capacity percentage as defined in Part 2A of the licence

Year	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004
Gas Year								
F	0.0139	0.0255	0.0359	0.0488	0.0684	0.0748	0.0811	0.0855

Year	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011
Gas Year	1	2	3	4	5	6	7
F	0.0895	0.0931	0.0947	0.0963	0.0976	0.0987	0.0996

2.1A.7.2 Supplemental Capacity Payment

The Licensee shall be entitled to invoice to the Committed Supplier an amount not exceeding a supplemental Capacity Payment, if at the end of any Relevant Gas Year:

The GS_{CS} Firm Capacity < The Ring Fenced Capacity

In which case the supplemental Capacity Charge shall be:

$FPCapCt \times (\text{The Ring Fenced Capacity} - \text{The } GS_{CS} \text{ Firm Capacity})$

Where:

The GS_{CS} Firm Capacity is the total "Firm Capacity" as defined in the Standard Conditions of Licence held by the Committed Supplier in respect of Relevant Gas Year t , multiplied by the aggregate number of days in respect of which such capacity is allocated in such Relevant Gas Year and divided by the number of days in such Relevant Gas Year

Ring Fenced Capacity = **(in accordance with Condition 2.1.6)**
the MWh equivalent of the value of NC
in millions of therms in respect of the
corresponding **Gas Year** taken from
the following table

Year	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004
Gas Year								
NC	342	342	342	342	342	342	342	342
Year	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	
Gas Year	1	2	3	4	5	6	7	
NC	304	304	304	243.2	243.2	243.2	243.2	

(Note: The common conditions 2A already deals with minimum capacity values payments and we are still discussing whether this is necessary)

2.1A.8 Allowed Revenue after expiry of Intended Designation Period

2.1A.8.1 Conditions 2.1.7.3 and 2.1.7.4 shall cease to have effect and the following Conditions shall apply in substitution.

2.1A.8.2

- (a) Not less than 24 months prior to the expiry of the Intended Designation Period the Licensee shall submit to the Authority:
- (i) a proposal as to the formula to be used for calculation of allowed revenue for the five years following the end of the Intended Designation Period; and
 - (ii) a forecast of the amount of allowed revenue for the five years following expiry of the Intended Designation Period.
- (b) The Licensee shall provide such further information or explanation and access to documents and records as the Authority reasonably requires for the purpose

of satisfying itself as to the appropriateness of the formula and forecasts submitted to it by the Licensee.

- (c) If the Authority has not within 6 months after the submission of the Licensee's proposals pursuant to paragraph (a) of this Condition approved the formula and forecasts the Licensee may thereafter deliver to the Authority a disapplication request made in accordance with paragraph 2.1A.8.3 of this condition.

2.1A.8.3 A disapplication request

- (a) shall be in writing addressed to the Authority; and
- (b) shall state the date not being earlier than 30th September 2021 from which the Licensee wishes the Authority to agree that Condition 2.1 and this Condition 2.1A shall cease to have effect (the disapplication date).

2.1A.8.4 The Licensee can withdraw a disapplication request at any time

2.1A.8.5 Save where the Authority otherwise agrees, no disapplication following delivery of a disapplication request pursuant to Condition 2.1A.8.3 shall have effect until a date not less than 18 months after the delivery of the disapplication request.

2.1A.8.6 If the Authority has not made a reference to the Competition Commission under Article 15 of the Order relating to the modification of this Condition and Condition 2.1 before the beginning of the period of 6 months which will end with the disapplication date and the Licensee has not withdrawn the disapplication request the Licensee may deliver written notice to the Authority terminating Condition 2.1 and this Condition 2.1A with effect from the disapplication date or a later date whereupon Condition 2.1 and this Condition shall cease to have effect.

2.1.7.2.7 If the Competition Commission makes a report on a reference made by the Authority relating to the modification of Condition 2.1 and this Condition and such report does not include a conclusion that the cessation of such revenue restriction operates or may be expected to operate against the public interest the Licensee may within 30 days after the publication of the report by the

Authority in accordance with Article 16 of the Order deliver to the Authority written notice terminating the application of Condition 2.1 and this Condition with effect from the disapplication date or a later date whereupon Condition 2.1 and this Condition shall cease to have effect.