

Notice under Article 14(2) of the Gas (Northern Ireland) Order 1996

Consultation on Proposed Modifications to Gas
High Pressure Licences for Enduring Stranraer
Arrangements, Haynestown Enduring Charging
Arrangements and Other Minor Amendments

6th November 2024



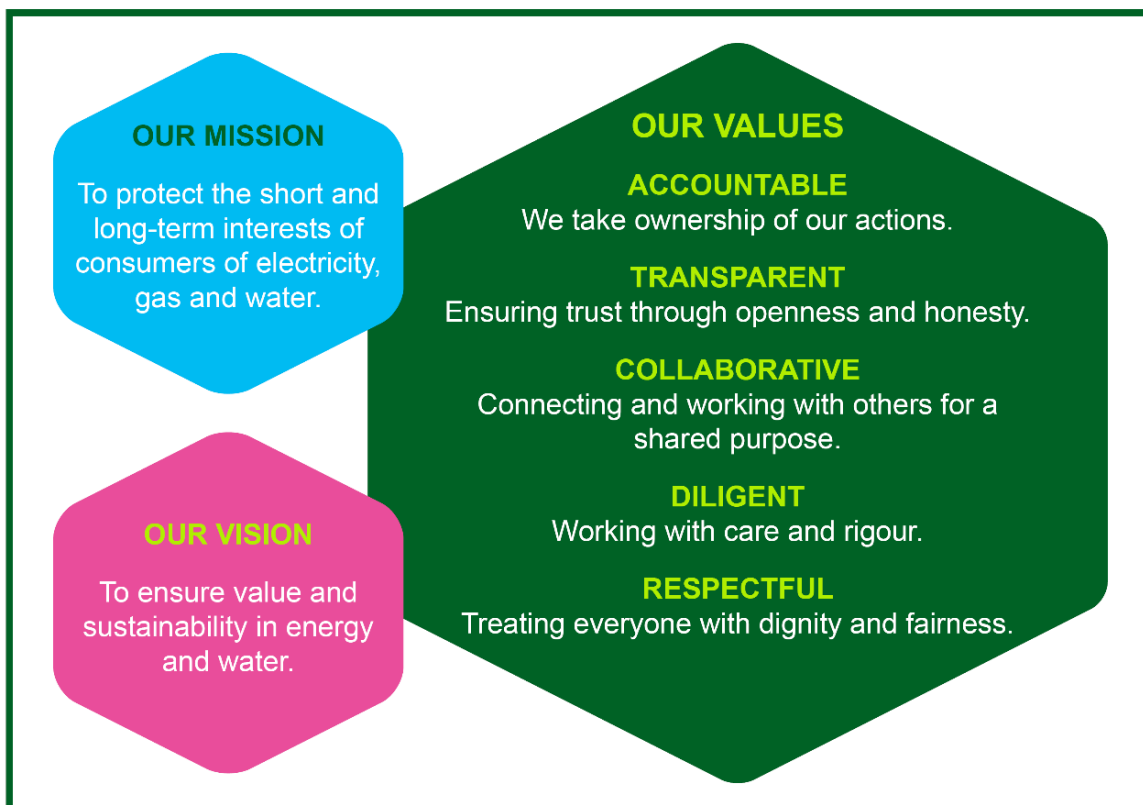
About the Utility Regulator

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, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



Abstract

The proposed licence modifications form part of a set of arrangements to facilitate the continuation of the supply of gas from the Scotland to Northern Ireland Pipeline to the Stranraer Distribution Network. The modifications also seek to enhance the equity of treatment of the Stranraer Shipper compared to other Shippers, including with respect to annual year-end reconciliation and the applicability of overrun charges. In addition, we propose modifications to improve oversight over some existing arrangements, and to enhance licence drafting accuracy and transparency. The proposed modifications relate to all high pressure gas conveyance licences in Northern Ireland. In addition, we are taking the opportunity to amend the GNI licence only to allow amendment to the Enduring Charging arrangements for Haynestown in the Republic of Ireland. These modifications are required to allow adjustments to Supplemental Income and adjust further into the past than the current licence drafting allows. We are also taking the opportunity to propose modification of minor drafting amendments for all high pressure licences which require update.

Audience

This document is likely to be of interest to regulated companies in the energy industry, government and other statutory bodies and consumer groups with an interest in the energy industry.

Consumer impact

These modifications will not have a noticeable impact on tariffs from consumers overall; therefore, the overall impact will be minor.

Contents

Executive Summary	7
1. Introduction	9
Purpose of this Consultation.....	9
Overview over Licence Conditions Impacted by Proposed Modifications....	12
Document Structure.....	19
Responding to this Consultation.....	20
Equality Considerations.....	21
2. Enduring Stranraer Arrangements	22
Background.....	22
Proposed Licence Modifications.....	23
a. Reasons and Effects.....	45
3. Annual Year-End Reconciliation for Stranraer	58
Background.....	58
Proposed Licence Modifications.....	59
Reasons and Effects.....	65
4. Oversight of Regulatory and Interoperator Arrangements ...	70
Background.....	70
Proposed Licence Modifications.....	72
Reasons and Effects.....	81
5. Licence Tidy-up	84
Background.....	84
Proposed Licence Modifications.....	84
Reasons and Effects.....	99
6. Haynestown Licence Modifications	105
Reasons and Effects.....	107
7. Next Steps	108

Glossary

ARR	Actual Required Revenue
BGTL	Belfast Gas Transmission Limited
CAM NC	Capacity Allocation Mechanisms Network Code
CMP	Congestion Management Procedures
FOIA	Freedom of Information Act
FRR	Forecast Required Revenue
GB	Great Britain
GMO NI	Gas Market Operator Northern Ireland
GNI	Gas Networks Ireland
GNI (UK)	Gas Networks Ireland (UK)
GY	Gas Year
IA	Interconnection Agreement
IP	Interconnection Point
MEL	Mutual Energy Limited
NI	Northern Ireland
Ofgem	Office of Gas and Electricity Markets
OS	Over Subscription
PoT	Postalised Transmission Account
PS	Postalised System
PTL	Premier Transmission Limited
ROI	Republic of Ireland
SGN	Scotia Gas Networks
SIA	Stranraer Interoperator Agreement
SNIP	Scotland to Northern Ireland Pipeline

SNP	South-North Pipeline
South Section	Part of the South-North Pipeline which is physically located in the Republic of Ireland
TA	Transportation Agreement
UC	Upstream Charges
UR	Utility Regulator
VAT	Value Added Tax
WTL	West Transmission Limited

Executive Summary

This document sets out for consultation our proposals to modify the high pressure gas conveyance licences. The licensees affected by the proposed changes are:

- Belfast Gas Transmission Limited (BGTL)
- Premier Transmission Limited (PTL)
- West Transmission Limited (WTL)
- GNI (UK) Limited (GNI (UK))

BGTL, PTL and WTL form part of the Mutual Energy Limited (MEL) group of companies.

The proposed licence modifications aim to:

- Ensure consistency between the PTL gas conveyance licence and the enduring arrangements to facilitate the conveyance of gas to Stranraer, including the introduction of the concept of Non-IP (Interconnection Point) Entry Capacity with associated charging and congestion management arrangements.
- Enhance the equity of treatment of the Stranraer Shipper compared to that of other Shippers in NI, including with respect to annual year-end reconciliation and the applicability of Entry Overrun Charges.¹
- Allow the Enduring Charging arrangements in relation to Supplemental Income to go further back into the past than the current GNI licence allows so that a one off adjustment may be made following agreement of the Enduring Charging arrangements for Haynestown, an offtake from the South - North Pipeline.
- Enhance the robustness of Utility Regulator oversight in relation to certain interoperator and regulatory arrangements.
- Address known licence drafting issues and enhance the clarity and transparency of licence drafting.
- Update relevant stakeholder contact details and communication details within high pressure gas licences to reflect best practice and be more reflective of current ways of working. These modifications also align with

¹ These are charges payable if a shipper is allocated gas in excess of its available entry capacity for a given day.

recent updates to Gas Distribution Network licences.

We anticipate no significant impact from the proposed licence modifications on the overall amount of high pressure network costs to be recovered from consumers. However, the allocation of such costs between shippers may change to become more equitable.

We consider that the proposed modifications will also strengthen the Authority's position with respect to the protection of consumer interests and ensuring of security of supply.

1. Introduction

Purpose of this Consultation

1.1 The Utility Regulator's (UR) principal objective in carrying out the duties associated with our gas functions is:

- To promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland, and
- By having regard to several matters, as set out more fully in the Energy (Northern Ireland) Order 2003.

1.2 In line with these duties, this document sets out for consultation our proposals to modify the high pressure gas conveyance licences. The licensees affected by the proposed changes are:

- Belfast Gas Transmission Limited (BGTL)
- Premier Transmission Limited (PTL)
- West Transmission Limited (WTL)
- GNI (UK) Limited (GNI (UK))

BGTL, PTL and WTL form part of the Mutual Energy Limited (MEL) group of companies.

1.3 The licence modification proposal has been driven by the need to facilitate enduring arrangements for the ongoing supply of gas from the Scotland to Northern Ireland Pipeline (SNIP) to the Stranraer Distribution Network.

1.4 The SNIP runs from Twynholm (Scotland) to Islandmagee (in Northern Ireland (NI)). It is owned and operated by PTL. Through an offtake from the SNIP at Stranraer, gas is being supplied to the Stranraer Distribution Network operated by SGN (Scotia Gas Networks; also referred to as the Stranraer Shipper). This offtake has been supported by legacy arrangements embedded in the PTL transmission code arrangements for ca. 20 years. Under these legacy arrangements, SGN held a long-term booking of capacity with PTL. This ended in September 2020.

1.5 In 2015 changes to the NI regulatory framework were required to achieve compliance with the provisions in the CAM NC (Capacity Allocation Mechanisms Network Code)². This involved particularly, the transition of the

² [Commission Regulation \(EU\) 2017/459](#).

NI arrangements to the entry-exit regime³ and the introduction of the Moffat Interconnection Point (IP). In this context, SGN was allocated unbundled IP Entry Capacity⁴ at Moffat.

- 1.6 Due to the provisions in the CAM NC the booking of unbundled IP Entry Capacity could not be extended. SGN also could not book bundled IP Entry capacity as it is not permitted to book or hold IP capacity on the Great Britain (GB) side.
- 1.7 Enduring arrangements to address this situation have now been developed. They include the introduction of the concept of Non-IP Entry Capacity into the regulatory arrangements. The implementation of the Enduring Stranraer Arrangements requires changes to the regulatory and contractual framework, including:
- The Stranraer Interoperator Agreement (SIA) between SGN and PTL which has been executed.
 - Modification 9 to the NI Network Gas Transmission Code⁵ which has taken effect on 1 March 2021.
 - Changes to the OS (Over Subscription) Scheme and CMP (Congestion Management Procedures) Methodology Statement⁶ which have taken effect on 1 March 2021).
 - Modifications to the PTL gas conveyance licence which form part of the present consultation.
- 1.8 In addition to the development of the Enduring Stranraer Arrangements, work has also been undertaken recently with respect to the review and implementation of other inter-operator arrangements. This has revealed some shortcomings in the existing licence arrangements with respect to regulatory oversight over such arrangements.
- 1.9 The proposed licence modifications in relation to Stranraer aim to:
- Ensure consistency between the PTL gas conveyance licence and the

³ For further details see Utility Regulator: [Consultation on the introduction of entry charges into the Northern Ireland postalised regime for gas](#) (16 October 2014) and related [conclusions paper](#) (5 February 2015)

⁴ Unbundled IP Entry Capacity is Entry Capacity which is obtained on one side of an Interconnection Point. In contrast bundled IP Entry Capacity is capacity obtained as a bundle of Entry and corresponding Exit Capacity at both sides of an Interconnection Point.

⁵ For further details see the [Initial Modification Report](#) (17 August 2020) and [Final Modification Report](#) (20 October 2020) issued by GMO NI (Gas Market Operator Northern Ireland), as well as related [approval letter](#).

⁶ For further details see [GMO NI: OS Scheme and Methodology Statement, Version 3.0, 1 March 2021](#) with related [approval letter](#).

enduring arrangements to facilitate the conveyance of gas to Stranraer, including the introduction of the concept of Non-IP Entry Capacity with associated charging and congestion management arrangements.

- Enhance the equity of treatment of the Stranraer Shipper compared to that of other Shippers in NI, including with respect to annual year-end reconciliation and the applicability of Entry Overrun Charges.⁷
- Enhance the robustness of Utility Regulator oversight in relation to certain interoperator and regulatory arrangements.

1.10 We are also taking the opportunity as part of this series of licence modifications, to amend the GNI (UK) licence in relation to the Haynestown Enduring Charging arrangements. This arrangement relates to the reservation of and/ or charges for capacity by using infrastructure physically located in other jurisdictions. The UR has been engaging with the Commission for Regulation of Utilities (CRU) in the Republic of Ireland in relation to the charging methodology for offtakes from the South- North Pipeline in the Republic of Ireland. This engagement relates to an offtake at Haynestown which is in the ROI. The Utility Regulator has been liaising with CRU to develop an enduring charging mechanism for Haynestown which reflects the interests of consumers in Northern Ireland.

1.11 These proposed modifications are required as discussions on the Enduring Charging arrangements are still ongoing and the reconciliation will be required to go back further into the past than what the current GNI (UK) licence drafting allows. Therefore, the Supplemental Income arrangements will require modification to facilitate this adjustment and allow a one-off adjustment to be carried out in the year following the agreement of the Enduring Charging Mechanism. The proposed licence modifications in this area are discussed in greater detail in Chapter 6 of this Consultation Document.

1.12 In addition, we are taking the opportunity to address known licence drafting issues and other minor modifications to enhance the clarity and transparency of licence drafting.

⁷ These are charges payable if a shipper is allocated gas in excess of its available entry capacity for a given day.

Overview over Licence Conditions Impacted by Proposed Modifications

- 1.13 The table below provides an overview of the licence conditions and licence holders impacted by the proposed modifications. It also sets out for each licence condition proposed to be modified, the main driver(s) for the proposed change and the chapter of this consultation document in which the proposed modification is discussed in more detail.

Table 1: List of proposed modifications and relevant chapter

Name	BGTL	PTL	WTL	GNI (UK)	Main driver for modification	Chapter of consultation document
Interpretation and Construction - Definitions	1.1.6	1.1.6	1.1.6	1.1.6	Licence Tidy-up	5
Interpretation and Construction – Application		1.1.9			Licence Tidy-up	5
	1.14	1.14	1.14	1.14	Licence Tidy	
Regulatory Instructions and Guidance	1.21	1.21	1.21	1.21	Licence Tidy-up	5
Conveyance Charges, Other Terms for the Conveyance of Gas and the Provision of Conveyance Services – Supplemental Income				2.2.16 (a) (ii)	Licence Tidy-up	5
Conveyance Charges, Other Terms for the Conveyance of Gas and the Provision of Conveyance Services – Additional Definitions and Interpretation				2.2.19	Licence Tidy-up	5
Connection Charges and Obligation to Connect - No obligation to connect premises	2.3.16 (c) (i)	2.3.16 (c) (i)	2.3.16 (c) (i)	2.3.16 (c) (i)	Licence Tidy-up	5
Single System Operation Arrangements – Arrangements for Single System Operation	2.17.3 (b)	2.17.3 (b)	2.17.3 (b)	2.17.3 (b)	Licence Tidy-up	5
Single System Operation Arrangements – Single Network Code	2.17.13	2.17.13	2.17.13	2.17.13	Licence Tidy-up	5
Single System Operation Arrangements – Interpretation and Definitions	2.17.17	2.17.17	2.17.17	2.17.17	Licence Tidy-up	5

Table 1: List of proposed modifications and relevant chapter

Name	BGTL	PTL	WTL	GNI (UK)	Main driver for modification	Chapter of consultation document
Gas Transportation Agreement		2.4C			Licence Tidy-up	5
Tripartite Agreement	2.4E (not used) ⁸	2.4E	2.4E (not used) ⁸	2.4E (not used) ⁸	Oversight	4
Interconnection Agreement for the Interconnection Point at Gormanston	2.4F (not used) ⁸	2.4F (not used) ⁸	2.4F (not used) ⁸	2.4F	Oversight	4
Interpretation and Construction – Definitions (definitions of the terms “Moffat Non-IP Entry Point”, “Stranraer Exit Point”, “Stranraer Shipper”) ⁹	2A.1.1	2A.1.1	2A.1.1	2A.1.1	Stranraer Enduring Arrangements	2
Interpretation and Construction – Definitions (definitions of the terms “Activation Test”, “CMP Methodology Statement”, “Congestion Management Procedures”, “Firm Day Ahead Use it or Lose it”, “GB Uniform Network Code”, “HP Conveyance Licensee”, “Long Term Use it or Lose it”)	2A.1.1	2A.1.1	2A.1.1	2A.1.1	Oversight	4
Interpretation and Construction – Definitions (definitions of the terms “Exit Point”, “Interconnection Point”, “PS Transmission Payments”, Supplemental Payment, “Transit”, “Transiting”, “Transit Point”)	2A.1.1	2A.1.1	2A.1.1	2A.1.1	Licence Tidy-up	5

⁸ Proposal is to add wording showing that this condition will not be used in the licence.

⁹ In this column, additions in brackets to not form part of the Condition name but have been added for clarity.

Table 1: List of proposed modifications and relevant chapter

Name	BGTL	PTL	WTL	GNI (UK)	Main driver for modification	Chapter of consultation document
Postalisation Charges (Gas Transmission Charging Methodology Statement)	2A.2.1.9	2A.2.1.9	2A.2.1.9	2A.2.1.9	Licence Tidy-up	5
Postalisation Charges (OS Scheme and CMP Methodology Statement)	2A.2.1.11	2A.2.1.11	2A.2.1.11	2A.2.1.11	Oversight	4
Postalisation Charges (Direction regarding OS Scheme and CMP Methodology Statement)	2A.2.1.12	2A.1.2.12	2A.2.1.12	2A.2.1.12	Oversight	4
Postalisation Charges (Capacity increase through oversubscription and buy back scheme and congestion management)	2A.2.1.13	2A.2.1.13	2A.2.1.13	2A.2.1.13	Oversight	4
Postalisation Charges (Operation of OS Scheme and CMP Methodology Statement)	2A.2.1.17	2A.2.1.17	2A.2.1.17	2A.2.1.17	Oversight	4
Postalisation Charges (Changes to OS Scheme and CMP Methodology Statement)	2A.2.1.18	2A.2.1.18	2A.2.1.18	2A.2.1.18	Oversight	4
Postalisation Charges (Changes to OS Scheme and CMP Methodology Statement)	2A.2.1.20	2A.2.1.20	2A.2.1.20	2A.2.1.20	Oversight	4
Postalisation Charges (CMP Provisions)	2A.2.1.21	2A.2.1.21	2A.2.1.21	2A.2.1.21	Oversight	4
Postalisation Charges (Supplemental Payment)	2A.2.2.3	2A.2.2.3	2A.2.2.3	2A.2.2.3	Licence Tidy-up	5
Postalisation Charges (Transit Point	2A.2.2.5	2A.2.2.5	2A.2.2.5	2A.2.2.5	Licence Tidy-up	5

Table 1: List of proposed modifications and relevant chapter

Name	BGTL	PTL	WTL	GNI (UK)	Main driver for modification	Chapter of consultation document
reference) ⁹						
Postalisation Charges, Forecast Postalised Charges, Total Monthly Invoices to Shippers	2A.2.5.5	2A.2.5.5	2A.2.5.5	2A.2.5.5	Licence Tidy-up	5
Postalisation Charges, Year-End Postalised Charges (Year-End Postalised Charges)	2A.2.6.1	2A.2.6.1	2A.2.6.1	2A.2.6.1	Licence Tidy-up	5
Postalisation Charges, Year-End Postalised Charges (Year-End Postalised Commodity Charge)	2A.2.6.2	2A.2.6.2	2A.2.6.2	2A.2.6.2	Licence Tidy-up	5
Postalisation Charges, Year-End Postalised Charges (Reconciliation Payment for Gas Supplier “s”) ⁹	2A.2.6.5	2A.2.6.5	2A.2.6.5	2A.2.6.5	Stranraer Enduring Arrangements; Licence Tidy-up	2
Postalisation Charges, Year-End Postalised Charges (Supplemental Payment)	2A.2.6.6	2A.2.6.6	2A.2.6.6	2A.2.6.6	Licence Tidy-up	5
Allowed Revenue Determination, The Forecast Required Revenue	3.1.3	3.1.3			Stranraer Annual Reconciliation	3
Allowed Revenue Determination, Actual Required Revenue	3.1.4	3.1.4	6.4.2		Licence Tidy-up	5
Allowed Revenue Determination, Definition of Formula Terms		3.1.5			Stranraer Annual Reconciliation	3
Allowed Revenue Determination, Authority Direction and Definitions		3.1.7.2			Stranraer Annual Reconciliation	3

Table 1: List of proposed modifications and relevant chapter

Name	BGTL	PTL	WTL	GNI (UK)	Main driver for modification	Chapter of consultation document
(Definition of UC Revenues)						
Allowed Revenue Determination, Authority Direction and Definitions (Definition of Postalisation Adjustment)	3.1.7.2	3.1.7.2	6.6.1		Licence Tidy-up	5
Upstream Charges (UC Charges) (Introduction)		3.1.8			Stranraer Enduring Arrangements	2
Upstream Charges (UC Charges), Stranraer Interoperator Agreement		3.1.8.1			Stranraer Enduring Arrangements; Oversight	2
Upstream Charges (UC Charges), Forecast UC Commodity Charge		3.1.8.2			Stranraer Enduring Arrangements	2
Upstream Charges (UC Charges), Forecast UC Capacity Charge		3.1.8.3			Stranraer Enduring Arrangements	2
Upstream Charges (UC Charges), Forecast UC Revenues and Actual UC Revenues		3.1.8.4			Stranraer Enduring Arrangements; Stranraer Annual Reconciliation	2
Upstream Charges (UC Charges), OS Services relating to Stranraer		3.1.8.5			Stranraer Enduring Arrangements	2
Upstream Charges (UC Charges), Non-IP Entry Overrun Charges and Exit Ratchet Charges for the Stranraer Shipper		3.1.8.6			Stranraer Enduring Arrangements	2
Upstream Charges (UC Charges), Total		3.1.8.7			Stranraer Enduring	2

Table 1: List of proposed modifications and relevant chapter

Name	BGTL	PTL	WTL	GNI (UK)	Main driver for modification	Chapter of consultation document
monthly invoices to the Stranraer Shipper					Arrangements	
Upstream Charges (UC Charges), End of Year UC Charges		3.1.8.8			Stranraer Annual Reconciliation	3
Upstream Charges (UC Charges), End of Year UC Reconciliation Payment		3.1.8.9			Stranraer Annual Reconciliation	3
Upstream Charges (UC Charges), Provision of forecasts and information relating to the calculation of charges for the Stranraer Shipper		3.1.8.10			Stranraer Enduring Arrangements; Stranraer Annual Reconciliation	2
Upstream Charges (UC Charges), Information Relating to Previous Gas Year		3.1.8.11			Stranraer Enduring Arrangements	2
Publication of UC Charges		3.1.8.12			Stranraer Enduring Arrangements	2
Upstream Charges (UC Charges), Definitions		3.1.8.13			Stranraer Enduring Arrangements	2
UC Charges, OS Services at Stranraer		3.1.8B			Stranraer Enduring Arrangements	2
Supplemental Payment		3.1.9			Licence Tidy-up	5
Stranraer Interoperator Agreement		3A.1			Stranraer Enduring Arrangements	3
Calculation of Supplemental Income				Annex A Part 4	Haynestown Supplemental Income	6

Document Structure

- 1.14 This consultation paper is structured into chapters as follows:
- Chapter 1 Introduction provides an overview over the purpose and structure of this consultation document as well as the licence conditions impacted by the proposed modifications; it also sets out details on how to respond to the licence consultation as well as equality considerations.
 - Chapter 2 Enduring Stranraer Arrangements describes the related licence modification proposals.
 - Chapter 3 Annual Year-End Reconciliation for Stranraer describes the related licence modification proposals.
 - Chapter 4 Oversight of Regulatory and Interoperator Arrangements describes the related licence modification proposals.
 - Chapter 5 Licence Tidy-up describes the related licence modification proposals.
 - Chapter 6 Haynestown Licence Modifications Haynestown Supplemental Income Adjustments mechanisms for Enduring Charges describes the related licence modifications.
 - Chapter 7 Next Steps sets out the indicative timetable for the next steps of the licence modification process.
 - Annex A shows the proposed changes to the BGTL licence.
 - Annex B shows the proposed changes to the PTL licence.
 - Annex C shows the proposed changes to the WTL licence.
 - Annex D shows the proposed changes to the GNI (UK) licence.
 - Annex E represents the notice under Article 14(2) of the Gas (Northern Ireland) Order 1996 of our licence modification proposal.
- 1.15 Annexes A to D set out, for each licence holder, the proposed licence modifications as tracked changes to the current licence conditions.
- 1.16 Chapters 2 to 6 each contain a section setting out the background to the proposed modifications, a section explaining the modification proposal and a section setting out the related reasons and effects.

Responding to this Consultation

- 1.17 The Utility Regulator welcomes industry and stakeholder views and comments on the outlined licence modifications proposals and their effect. Any representations or objections with respect to the proposals may be made on or before 5 pm on 4th December 2024 to:
- Deirdre Matheson
Utility Regulator
Queens House
14 Queen Street
Belfast BT1 6ED
Email: Gas_networks_responses@uregni.gov.uk with cc to deirdre.matheson@uregni.gov.uk
- 1.18 The Utility Regulator's preference would be for responses to be submitted by e-mail.
- 1.19 Your response may be made public by the Utility Regulator. If you do not want all or part of your response or name made public, please state this clearly in the response by marking your response as 'CONFIDENTIAL'.
- 1.20 If you want other information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 and the Data Protection Act 2018).
- 1.21 As stated in the GDPR Privacy Statement for consumers and stakeholders, any personal data contained within your response will be deleted once the matter being consulted on has been concluded though the substance of the response may be retained.
- 1.22 Copies of all documents will be made available in large print, Braille, audio cassette and a variety of relevant minority languages if required. Please contact Deirdre Matheson on 028 9031 6641 or email Gas_networks_responses@uregni.gov.uk with cc to Deirdre.matheson@uregni.gov.uk to request this.

Equality Considerations

- 1.23 As a public authority, the Utility Regulator has obligations arising from Section 75 of the Northern Ireland Act 1998. These obligations concern the promotion of equality of opportunity between:
- (ii) persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
 - (iii) men and women generally;
 - (iv) persons with disability and persons without; and
 - (v) persons with dependants and persons without.
- 1.24 The Utility Regulator must also have regard to the promotion of good relations between persons of different religious belief, political opinion or racial groups.
- 1.25 In the development of its policies the Utility Regulator also has a statutory duty to have due regard to the needs of vulnerable customers i.e. individuals who are disabled or chronically sick, individuals of pensionable age, individuals with low incomes and individuals residing in rural areas. Some of the above equality categories will therefore overlap with these vulnerable groupings.
- 1.26 To assist with equality screening of the proposals contained within this consultation paper, the Utility Regulator requests that respondents provide any information or evidence in relation to the needs, experiences, issues, and priorities for different groups which they feel is relevant to the implementation of any of the proposals. Furthermore, the Utility Regulator welcomes any comments which respondents might have in relation to the overall equality impact of the proposals.

2. Enduring Stranraer Arrangements

Background

- 2.1 As set out in chapter 1, the Enduring Stranraer Arrangements seek to facilitate the ongoing supply of gas to Stranraer in a way that is compliant with the legislative requirements, including those of the CAM NC.
- 2.2 To this end, the new concept of Non-IP Entry Point has been developed. At this stage, the Stranraer Entry Point is the only Non-IP Entry Point. Under the Enduring Stranraer Arrangements, an amount of capacity equal to the legacy holding of the Stranraer Shipper is transferred to the new Moffat Non-IP Entry Point and the IP Entry Capacity at Moffat IP reduced accordingly. Physically, the gas at Moffat continues to flow through the existing pipelines in a co-mingled stream; the changes only concern the conceptual treatment of the capacity and the associated commercial arrangements.
- 2.3 In addition, some changes compared to the legacy arrangements have been proposed to facilitate the Stranraer Shipper being treated in a more equitable way compared to the PS (Postalised System) Shippers. This includes the proposal to:
- Extend the applicability of Overrun Charges to the Stranraer Shipper
 - Allow the Stranraer Shipper to participate in the sharing of OS Revenues under the OS Scheme
 - Introduce annual year-end reconciliation with respect to the Stranraer Shipper (further discussed in chapter 3).
- 2.4 To implement these concepts, and the associated charging and congestion management arrangements, several documents needed to be amended or put in place.
- A Stranraer Interoperator Agreement between PTL and the Stranraer Shipper SGN which sets out the terms for allocation of Non-IP Entry Capacity has been executed.
 - Modification 9 to the NI Network Gas Transmission Codes⁵ which has taken effect on 1 March 2021.
 - Changes to the OS Scheme and CMP Methodology Statement⁶ which have taken effect on 1 March 2021.
- 2.5 Additional licence modifications are required to introduce the new concepts into the licence and ensure consistency between the licence and the other

arrangements. As the other arrangements (as listed above) have already been made, the proposed licence modifications are largely inconsequential.

- 2.6 Given that the contractual relationship with respect to the Stranraer Arrangements is between PTL and the Stranraer Shipper SGN, the related licence modifications impact mainly the PTL licence. However, some licence conditions are standardised across some or all four high pressure gas conveyance licences. Where this is the case, we consider that any changes should be made to all the relevant licences.

Proposed Licence Modifications

Condition 2A.2.6.5: Postalisation Charges, Year-End Postalised Charges (Reconciliation Payment for Gas Supplier “s”) and Condition 2A.1.1

Interpretation and Construction:

- 2.7 We propose to add, in Condition 2A.1.1 of all four high pressure gas conveyance licences, the following definitions and to insert them into the table of definitions according to alphabetical order:
- “Moffatt Non-IP Entry Point” means the point of the same name as defined in the Network code.
 - “Stranraer Exit Point” means the point of the same name as defined in the Network Code;
 - “Stranraer Shipper” means the person appointed under GB arrangements to ship gas from the Moffatt Non-IP Entry Point to Stranraer Exit Point;
- 2.8 We propose to change, in Condition 2A.2.6.5 of all four high pressure gas conveyance licences, the formula for the calculation of the total of the Entry Overrun Charges due to Gas Supplier “u” in Gas Year “t” (TORCut) by replacing:

$$TORC_{ut} = \frac{(\sum_{s=1}^n ORC_{st}) \times TIA_{ut}}{\sum_{s=1}^n TIA_{st}}$$

With:

$$TORC_{st} = \left(\sum_{s=1}^n ORC_{st} \right) \times \frac{TIA_{st}}{\sum_{s=1}^n TIA_{st}}$$

- 2.9 We furthermore propose to make, in the same condition of all four high pressure gas conveyance licences, the following changes to the definitions

that relate to this formula:

- In the definition of the $TORC_{ut}$ terms which directly precedes the formula, for same, change the symbol used to designate the supplier from “u” to “s”, so that $TORC_{ut}$ becomes $TORC_{st}$ and “Gas Supplier “u”” becomes “Gas Supplier “s””.

2.10 Remove the definition for the term $TORC_{ut}$ which is contained in the current licences immediately before the formula.

2.11 For the PTL licence only, add the following term following the $TORC_{st}$ formula:

$\sum_{s=1}^n ORC_{st}$ is the aggregated sum for all gas Suppliers of the Entry Overrun Charges in Gas Year “t” calculated as follows:

(a) The sum of monthly overrun charges as defined in Condition 2A.2.5.5

plus

(b) Any Entry Overrun Charge to the Stranraer Shipper for Gas Year “t” calculated in accordance with Part 3 of the Licence.

2.12 A slight variation to the above condition should be added to the WTL, BGTL and GNI UK licences as follows, in order to refer to the relevant condition of the PTL licence:

$\sum_{s=1}^n ORC_{st}$ is the aggregated sum for all gas Suppliers of the Entry Overrun Charges in Gas Year “t” calculated as follows:

(a) The sum of monthly overrun charges as defined in Condition 2A.2.5.5

plus

(b) any Non-IP Entry Overrun Charges for Gas Year “t”, calculated in accordance with Part 3 of the gas conveyance licence granted pursuant to Article 8(1)(a) of the Order and held by Premier Transmission Limited.

- We propose to delete the definition of the ORC_{st} term from all 4 high pressure licences.

2.13 After the definition of the newly included term $\sum_{s=1}^n \text{ORC}_{st}$, add the following drafting for the PTL licence, with a slight variation (below) included for other 3 high pressure licences. The drafting proposed for the PTL licence is as follows:

$\sum_{s=1}^n \text{TIA}_{st}$ is the total invoice amount for all Gas Suppliers in Gas Year “t”, calculated as follows:

- (a) the total aggregated sum of the monthly invoice amounts, excluding the amounts relating to VAT, in Gas Year “t” for all Gas Suppliers, as calculated according to Condition 2A.2.5.5;

plus

- (b) the total aggregated sum of the monthly invoice amounts, excluding the amounts relating to VAT, in Gas Year “t” for the Stranraer Shipper, as calculated in accordance with Part 3 of the Licence;”

2.14 For the BGTL, WTL and GNI licences it is proposed to add comparable drafting to all licences as follows so the drafting refers to the relevant section of the PTL licence:

$\sum_{s=1}^n \text{TIA}_{st}$ is the total invoice amount for all Gas Suppliers in Gas Year “t”, calculated as follows:

- (a) the total aggregated sum of the monthly invoice amounts, excluding the amounts relating to VAT, in Gas Year “t” for all Gas Suppliers, as calculated according to Condition 2A.2.5.5;

plus

- (b) the total aggregated sum of the monthly invoice amounts, excluding the amounts relating to VAT, in Gas Year “t” for the Stranraer Shipper, as calculated in accordance with Part 3 of the gas conveyance licence granted pursuant to Article 8(1)(a) of the Order and held by Premier Transmission Limited;

- Delete the term TIA_{ut}.
- After the previous term TIA_{ut}, and before the term ‘Gas Supplier,’ add the following drafting: ‘is the total invoice amount, excluding the amount relating to VAT, for.’
- Change the two references relating to “Gas Supplier “u”” so that they refer to “Gas Supplier “s”” instead.
- Before “year “t””, remove the word “of”; and
- At the end of the definition of the n term, after “is the total number of Gas Suppliers active in Gas Year “t””, add “plus, for the purposes of this calculation, the Stranraer Shipper.”
- Corresponding drafting will be included in Condition 3.1.8.9 of the PTL licence only (see relevant section below).

Condition 3.1.8: Upstream Charges (UC Charges) (Introduction)

- 2.15 We propose to rename Condition 3.1.8 in the PTL licence from “UC Charges” to “Upstream Charges (UC Charges)”.
- 2.16 We furthermore propose to amend the introductory part of Condition 3.1.8 in the PTL licence (prior to the start of Condition 3.1.8.1) as follows:
- Insert a new introductory paragraph at the start of the condition: “This Condition 3.1.8 sets out the arrangements for charging the Stranraer Shipper for gas transportation on the Economic Network upstream of the Northern Ireland high water mark, as follows:”
 - Renumber the current introductory sentence so that it becomes paragraph a), and update the references to the conditions:
 - on calculation of the Forecast UC Commodity Charge from 3.1.8.1 (a) to 3.1.8.2 (a)
 - on calculation of the Forecast UC Capacity Charge from 3.1.8.2 (a) to 3.1.8.3 (a)
 - Insert additional new paragraphs b) to e) as follows:
 - “(b) Non-IP Entry Overrun Charges and Exit Ratchet Charges for the Stranraer Shipper may also be calculated, where required under the Network Code, by the PSA in accordance with Condition 3.1.8.6;

- (c) Year-End UC Charges shall be calculated by the PSA in accordance with Condition 3.1.8.8 and Year End UC Reconciliation Payments shall be calculated in accordance with Condition 3.1.8.9;
- (d) PS Code Charges for the Stranraer Shipper shall be determined in accordance with the Network Code;
- (e) the Licensee shall operate the OS Scheme as it relates to Stranraer in accordance with Condition 3.1.8.5.”

Condition 3.1.8.1: Upstream Charges (UC Charges),

2.17 We propose to introduce a new Condition 3.1.8.1 into the PTL licence and to renumber the subsequent sub-conditions of Condition 3.1.8 accordingly. The proposed wording of the new Condition 3.1.8.1 is:

3.1.8.1 ‘This Condition 3.1.8.1 sets out the arrangements for charging the Stranraer Shipper for gas transportation on the Economic Network upstream of the Northern Ireland high water mark, as follows:

We will also amend the two references to Condition 3.1.8.2(a) to the term Condition 3.1.8.3(a) in condition 3.1.8.1(a).

We are proposing to add the following new drafting for new sections 3.1.8.1 (b) to (e) inclusive:

- (b) Non-IP Entry Overrun Charges and Exit Ratchet Charges for the Stranraer Shipper may also be calculated, where required under the Network Code, by the PSA in accordance with Condition 3.1.8.6;
- (c) Year-End UC Charges shall be calculated by the PSA in accordance with Condition 3.1.8.8 and Year End UC Reconciliation Payments shall be calculated in accordance with Condition 3.1.8.9;
- (d) PS Code Charges for the Stranraer Shipper shall be determined in accordance with the Network Code;
- (e) the Licensee shall operate the OS Scheme as it relates to Stranraer in accordance with Condition 3.1.8.5.

Condition 3.1.8.2: Upstream Charges (UC Charges), Forecast UC Commodity Charge

- 2.18 We propose to replace the existing Condition 3.1.8.1 (based on the modification proposal set out in paragraph 2.17 renumbered to Condition 3.1.8.2) in the PTL licence with the following text:

“3.1.8.2 Forecast UC Commodity Charge

- (a) The Forecast UC Commodity Charge in respect of Gas Year “t” to be charged to the Stranraer Shipper in respect of each unit of gas allocated to it under the Network Code in respect of Stranraer Exit Point shall be calculated by the PSA in accordance with the following formula:

$$UCComC_t = \frac{[(PSFRR_t - FRRL_t) + FRRU_t] * \text{Commodity Percentage}}{(PS \text{ Forecast Annual Quantity}_t + UC \text{ Forecast Annual Quantity}_t)}$$

where:

$UCComC_t$ = the Forecast UC Commodity Charge in respect of Gas Year “t”;

$PSFRR_t$ = the PS Forecast Required Revenue in respect of Gas Year “t” as defined in Condition 2A.1.1;

$FRRL_t$ = the Forecast Required Revenue of the Licensee excluding Forecast UC Revenues in respect of Gas Year “t” determined in accordance with Condition 3.1.3(b);

$FRRU_t$ = the Forecast Required Revenue of the Licensee including Forecast UC Revenues in respect of Gas Year “t”, which shall be calculated in accordance with the following formula:

$$FRRU_t = FRRL_t + Fft$$

where:

Fft means the Forecast UC Revenues associated with the Stranraer Shipper in respect of Gas Year “t” calculated in accordance with Condition 3.1.8.4(a);

Commodity Percentage shall have the meaning ascribed to that term in Condition 2A.2.5.2(a)

PS Forecast Annual Quantity_t shall have the meaning ascribed to that term in Condition 2A.2.5.2(a); and

UC Forecast Annual Quantity_t = the Licensee's forecast of the total quantity of gas, in respect of Gas Year "t" the Stranraer Shipper will export from the Stranraer Exit Points.

- (b) A Monthly UC Commodity Payment shall be calculated by the Licensee in accordance with the following formula in respect of gas allocated under and in accordance with the provisions of the Single Network Code to the Stranraer Shipper at Stranraer Exit Point in respect of the previous month, the components of which shall be applied in respect of month "m" of Gas Year "t" and shall be payable by the Stranraer Shipper:

$$\text{MUCComP}_{mt} = \text{UCComC}_t \times \text{MUCEQ}_{mt}$$

where:

MUCComP_{mt} = the Monthly UC Commodity Payment payable by the Stranraer Shipper in respect of month "m" in Gas Year "t";

UCComC_t = the Forecast UC Commodity Charge applicable by the Stranraer Shipper in respect of Gas Year "t";

MUCEQ_{mt} = the total quantity of gas, allocated to the Stranraer Shipper in respect of Stranraer Exit Point in respect of month "m."

Condition 3.1.8.3: Upstream Charges (UC Charges), Forecast UC Capacity Charge

2.19 We propose to replace the existing Condition 3.1.8.2 (based on the modification proposal set out in paragraph 2.17 renumbered to Condition 3.1.8.3) in the PTL licence with the following text:

“3.1.8.3 Forecast UC Capacity Charge (Payable Non-IP Entry Capacity Price and the Payable Exit Capacity Price for the Stranraer Shipper)

(a) The payable Non-IP Entry Capacity price and the payable exit capacity price for the Stranraer Shipper in respect of Gas Year “t” (the “**Forecast UC Capacity Charge**”) to be charged to the Stranraer Shipper in respect of each unit of Capacity held by the Stranraer Shipper at the Moffat Non-IP Entry Point and the Stranraer Exit Point shall be calculated by the PSA in accordance with the following formula:

$$UCCapC_t = \frac{[(PSFRR_t - FRRL_t) + FRRU_t] * Capacity Percentage}{(TWFC_t + UCFC_t)}$$

where:

$UCCapC_t$ = the Forecast UC Capacity Charge in respect of Gas Year “t”;

Capacity Percentage shall have the meaning ascribed to that term in Condition 2A.2.5.3(b);

$TWFC_t$ = the Total Weighted Forecast Capacity bookings for PS Gas Suppliers in respect of Gas Year “t” calculated in accordance with Condition 2A.2.5.3 (a);

$UCFC_t$ = the Non-IP Entry Capacity at Moffat Non-IP Entry Point and the exit capacity at the Stranraer Exit Point forecast to be held, in accordance with the provisions of the Network Code in respect of Gas Year “t”, by the Stranraer Shipper;

(b) The Monthly UC Capacity Payment payable by the Stranraer Shipper shall be calculated in accordance with the following formula in respect of the capacity held by the Stranraer Shipper,

the components of which shall be applied in respect of month “m” in Gas Year “t”:

where:

$$\text{MUCCapP}_{\text{mt}} = \frac{\text{UCCapC}_t \times \text{UCAC}_t}{12}$$

$\text{MUCCapP}_{\text{mt}}$ = the Monthly UC Capacity Payment in respect of month “m” in Gas Year “t”;

UCCapC_t = the Forecast UC Capacity Charge applicable in respect of Gas Year “t”; and

UCAC_t = the actual amount of capacity allocated to the Stranraer Shipper in respect of Moffat Non-IP Entry Point and Stranraer Exit Point in respect of Gas Year “t”.

Condition 3.1.8.4: Upstream Charges (UC Charges), Forecast UC Revenues and Actual UC Revenues

2.20 We propose to replace the existing Condition 3.1.8.3 (based on the modification proposal set out in paragraph 2.17 renumbered to Condition 3.1.8.4) in the PTL licence with the following text:

“3.1.8.4 Forecast UC Revenues and Actual UC Revenues

(a) The Licensee's Forecast UC Revenues (F_f) in respect of any Gas Year “t” shall be calculated as:

$$F_f = (\text{UCComC}_t \times \text{UC Forecast Annual Quantity}_t) + (\text{UCCapC}_t \times \text{UCFC}_t)$$

where:

UCComC_t and UC Forecast Annual Quantity_t shall have the meaning given to these terms in Condition 3.1.8.2(a); and

UCCapC_t and UCFC_t shall have the meaning given to these terms in Condition 3.1.8.3(a).

(b) the Licensee’s Actual UC Revenues (F_t) means, in respect of any Gas Year “t”, the cash amounts actually received by the Licensee from the Stranraer Shipper in respect of the charges calculated in accordance with Conditions 3.1.8.2, 3.1.8.3 and 3.1.8.6(c) (but

excluding charges calculated in accordance with Conditions 3.1.8.6 (a) and (b)) after deduction of value added tax (if any) and any other taxes based directly on the amounts so received.”

Condition 3.1.8.5: Upstream Charges (UC Charges), OS Services relating to Stranraer and Condition 3.1.8B OS Services at Stranraer

2.21 We propose to remove the existing Condition 3.1.8B from the current PTL licence and to introduce instead a new Condition 3.1.8.5 as follows:

“3.1.8.5 OS Services relating to Stranraer

3.1.8.5.1 “The Licensee may offer certain OS Services and/or apply other congestion management arrangements (in accordance with the OS Conditions as well as with the OS Scheme and CMP Methodology Statement) which relate to Stranraer and for this purpose the Licensee shall:

- (a) be entitled to release capacity at Moffat Non-IP Entry Point for allocation as OS Capacity;
- (b) be entitled to receive OS Revenues associated with the release of capacity at the Moffat Non-IP Entry Point (and the subsequent allocation of such capacity at the Moffat IP) in accordance with the OS Scheme;
- (c) pay to the Stranraer Shipper any share of OS Revenues due to it as a result of the application of the OS Scheme;

3.1.8.5.2 The licensee shall:

- (a) notify the Authority of any intended withdrawal of capacity at the Moffat Non-IP Entry Point, specifying the amount of capacity proposed to be withdrawn, the period for which the capacity is proposed to be withdrawn and any justification provided by the Stranraer Shipper for that capacity;
- (b) not withdraw any such capacity without the prior approval of the Authority, subject to any conditions of the approval which conditions may relate to:

- (i) the amount of capacity that may be withdrawn at the Moffatt Non-IP Entry Point;
- (ii) and the period for which it may be withdrawn;

3.1.8.5.3 For the avoidance of doubt, the charges described in this Condition 3.1.8.5 shall, in respect of a Gas Year, not be subject to reconciliation or other adjustment on any ground.

3.1.8.5.4 As used in this Condition 3.1.8.5, the terms “OS Scheme”, “OS Services”, and “OS Capacity” shall have the meaning given to them in the OS Conditions (as defined in Part 2A of the licence).”

Condition 3.1.8.6: Upstream Charges (UC Charges), Non-IP Entry Overrun Charges and Exit Ratchet Charges for the Stranraer Shipper

2.22 We propose to introduce into the PTL licence a new Condition 3.1.8.6 as follows:

“3.1.8.6 Non-IP Entry Overrun Charges and Exit Ratchet Charges for the Stranraer Shipper

- (a) The Licensee may charge to the Stranraer Shipper a Non-IP Entry Overrun Charge as provided for under the terms of the Network Code and the Gas Transmission Charging Methodology Statement and in accordance with Condition 3.1.8.6(b);
- (b) the relevant daily price (P_{daily}) to be used to determine the Non-IP Entry Overrun Charge payable by the Stranraer Shipper in respect of any Gas Day on which the quantity of gas allocated to the Stranraer Shipper exceeds the Non-IP Entry Capacity held by the Stranraer Shipper shall be $UCCapC_t / 365$;

where, $UCCapC_t$ shall have the meaning given to it in Condition 3.1.8.3(a);

- (c) the Licensee may charge to the Stranraer Shipper an Exit Ratchet Charge as provided for under the terms of the Network Code.

Condition 3.1.8.7: Upstream Charges (UC Charges), Total Monthly Invoices to the Stranraer Shipper

2.23 We propose to introduce into the PTL licence a new Condition 3.1.8.7 as follows:

“3.1.8.7 Total monthly invoices to the Stranraer Shipper

(a) The total monthly invoice amounts for capacity and commodity for the Stranraer Shipper in month “m” of Gas Year “t” shall be calculated as follows;

$$TIAUC_{mt} = MUCCapP_{mt} + MUCComP_{mt} + ORCUC_{mt} + ERCUC_{mt} + VAT$$

Where:

$TIAUC_{mt}$ is the total capacity and commodity invoice amount for the Stranraer Shipper in month “m” of Year “t”

$MUCCapP_{mt}$ shall have the meaning given to it in Condition 3.1.8.3(b);

$MUCComP_{mt}$ shall have the meaning given to it in Condition 3.1.8.2(b);

$ORCUC_{mt}$ means the Non-IP Entry Overrun Charges payable by the Stranraer Shipper in month “m” of Gas Year “t”;

$ERCUC_{mt}$ means the Exit Ratchet Charges payable by the Stranraer Shipper in month “m” of Gas Year “t”;

VAT means the appropriate rate of Value Added Tax, as required to be applied to the applicable elements of the invoice;

(b) the Licensee shall invoice the Stranraer Shipper monthly for PS Code Charges and shall invoice OS Revenues, where applicable, relating to OS Capacity in accordance with Condition 3.1.8.5 and any other applicable ad hoc invoicing requirement arising from time to time in accordance with the Network Code.”

2.24 Drafting to condition 3.1.8.8 and 3.1.8.9 are noted in more detail in Chapter 3; however, we have included her for completeness of the condition; however reasons and effects are include in Chapter 3.

Condition 3.1.8.8 End of Year UC Charges

2.25 We propose to introduce into the PTL licence a new Condition 3.1.8.8 as follows:

- (a) The Year-End UC Charges shall comprise a Year-End UC Commodity Charge calculated in accordance with Condition 3.1.8.8(b), a Year-End UC Capacity Charge calculated in accordance with Condition 3.1.8.8(c) and a UC Overrun Reconciliation Payment calculated in accordance with Condition 3.1.8.9(d) in each case calculated by the PSA;
- (b) The Year-End UC Commodity Charge in respect of each unit of gas allocated to the Stranraer Shipper under the Network Code in respect of Stranraer Exit Point on each day during Gas Year “t” shall be calculated as:

$$YEUCComC_t = \frac{[(PSARR_t - ARRL_t) + ARRU_t] * Commodity Percentage}{(PS Annual Quantity_t + UC Annual Quantity_t)}$$

where

YEUCComC_t = the Year-End UC Commodity Charge in respect of Gas Year “t”;

PSARR_t = the total PS Actual Required Revenue for Gas Year “t”, determined in accordance with Condition 2A.2.6.2;

ARRU_t = ARRL_t + F_t

where:

ARRL_t means the Actual Required Revenue of the Licensee not including Actual UC Revenue for Gas Year “t” determined in accordance with Condition 3.1.4; and

F_t means the Actual UC Revenue of the Licensee for Gas Year “t” determined in accordance with Condition 3.1.8.4(b);

PS Annual Quantity_t means the sum of the Annual Exit Quantities of PS Gas Suppliers in respect of Gas Year “t”, determined in accordance with Condition 2A.2.6.2;

UC Annual Quantity_t means the total quantity of gas, (measured in kWh) allocated to the Stranraer Shipper in respect of the Stranraer Exit Point in Gas Year “t”;

- (c) The Year-End UC Capacity Charge in respect of each kWh of capacity allocated to the Stranraer Shipper under the Network Code in respect of the Moffat Non-IP Entry Point and the Stranraer Exit Point on each day during Gas Year “t” shall be calculated as:

$$YEUCCapC_t = \frac{[(PSARR_t - ARRL_t) + ARRU_t] * Capacity Percentage}{(TWC_t + UCAC_t)}$$

where:

YEUCCapC_t = the Year End UC Capacity Charge in respect of Gas Year “t”;

PSARR_t shall have the meaning given to it in Condition 3.1.8.8(a);

ARRL_t shall have the meaning given to it in Condition 3.1.8.8(a);

ARRU_t shall have the meaning given to it in Condition 3.1.8.8(a);

Capacity Percentage shall have the meaning ascribed to that term in Condition 2A.2.5.3(b);

TWC_t means the Total Weighted Annual Capacity Bookings of PS Gas Suppliers in respect of Gas

Year_t determined in accordance with Condition 2A.2.6.3(a); and

UCAC_t is the actual amount of capacity allocated to the Stranraer Shipper in respect of Moffat Non-IP Entry Point and Stranraer Exit Point in respect of Gas Year “t”;

3.1.8.9 End of Year UC Reconciliation Payment

We propose to introduce into the PTL licence a new Condition 3.1.8.9 as follows:

(a) The UC Commodity Reconciliation Payment (YEUCComRP_t) in respect of Gas Year “t” shall be calculated as:

$$\text{YEUCComRP}_t = (\text{YEUCComC}_t - \text{UCComC}_t) \times \text{UC Annual Quantity}_t$$

where:

YEUCComC_t shall have the meaning given to it in Condition 3.1.8.8(b);

UCComC_t shall have the meaning given to it in Condition 3.1.8.2(a); and

UC Annual Quantity_t shall have the meaning given to it in Condition 3.1.8.8(b).

(b) The UC Capacity Reconciliation Payment (YEUCCapRP_t) in respect of Gas Year “t” shall be calculated as:

$$\text{YEUCCapRP}_t = (\text{YEUCCapC}_t - \text{UCCapC}_t) \times \text{UCAC}_t$$

where:

YEUCCapC_t shall have the meaning given to it in Condition

3.1.8.8(c);

UCCapC_t shall have the meaning given to it in Condition 3.1.8.3(a); and

UCAC_t shall have the meaning given to it in Condition 3.1.8.3(b).

(c) The UC Overrun Reconciliation Payment in respect of the Stranraer Shipper shall be calculated according to the following formula:

$$\text{TORCUC}_t = \left(\sum_{s=1}^n \text{ORC}_{st} \right) \times \frac{\text{TIAUC}_t}{\sum_{s=1}^n \text{TIA}_{st}}$$

where:

TORCUC_t is the proportion of the total of the Entry Overrun Charges due to the Stranraer Shipper in Gas Year “t”;

- We propose adding the following section to correlate to condition 2A.2.6.5 as follows:

$\sum_{s=1}^n \text{ORC}_{st}$ is the aggregated sum for all gas Suppliers of the Entry Overrun Charges in Gas Year “t” calculated as follows:

- (a) The sum of monthly overrun charges as defined in Condition 2A.2.5.5
plus
(b) any Non-IP Entry Overrun Charges for Gas Year “t”, calculated in accordance with Condition 3.1.8.6 (a);

The remainder of the condition is proposed to be as follows as:

TIAUC_t is the total of all monthly invoice amounts for the Stranraer Shipper in Gas Year_t excluding VAT amounts;

$\sum_{s=1}^n TIA_{st}$ is the total of all monthly invoice amounts for (a) all Gas Suppliers, and (b) the Stranraer Shipper, as determined in accordance with Condition 2A.2.6.5;

n is the total number of Gas Suppliers active in Gas Year_t plus, for the purposes of this calculation, the Stranraer Shipper;

- (d) The Total UC Reconciliation Payment (TUCRP_t) in respect of the Stranraer Shipper for Gas Year “t” shall be calculated as:

$$TUCRP_t = YEUCComRP_t + YEUCCapRP_t - TORCUC_t$$

where:

YEUCComRP_t means the UC Commodity Reconciliation Payment calculated in accordance with Condition 3.1.8.9(a);

YEUCCapRP_t means the UC Capacity Reconciliation Payment calculated in accordance with Condition 3.1.8.9(b);
and

TORCUC_t shall have the meaning given to it in Condition 3.1.8.9(c),

and where the Total Reconciliation Payment (a) is a positive value it shall be a payment due from the Stranraer Shipper, and (b) it is a negative value it shall be a payment due to the Stranraer Shipper.

- 2.26 We propose to introduce into the PTL licence a new Condition 3.1.8.10 as follows:

“3.1.8.10 Provision of forecasts and information relating to the calculation of charges for the Stranraer Shipper

- (a) The Licensee shall, in each Gas Year, provide to the Authority to the same timescales as the Forecast Figures required to be

provided under Condition 2A.2.3.1, the following forecasts and information for the next Gas Year (GY) and each of the following four Gas Years inclusive (GY+1 to GY+4 respectively);

- (i) the Forecast UC Annual Quantity in a Gas Year together with:
 - (aa) an explanation of the reasons why any Forecast UC Annual Quantities in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the Forecast UC Annual Quantity in respect of GY; and
 - (bb) a breakdown showing the proportions of the Forecast UC Annual Quantity attributable to each Quarter of GY;
 - (ii) the assumptions on which the figures provided pursuant to Condition 3.1.8.10(a)(i) were based, which:
 - (aa) in respect of the Stranraer Shipper shall include but not be limited to numbers of consumers and average forecast quantity per consumer; and
 - (bb) shall include an explanation of any material difference between such forecasts for the year GY and the forecast in respect of the then current Gas Year; and
 - (iii) the UCFC in respect of GY+1 to GY+4 inclusive, together with an explanation of the reasons why any UCFC in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the UCFC in respect of GY; and the assumptions on which the figures provided pursuant to Condition 3.1.8.10(a)(iii) were based.
- (b) The Licensee shall:

- (i) use its reasonable endeavours to ensure that all forecast figures supplied to the Authority in accordance with Condition 3.1.8.10 are as accurate as possible having regard to the information and forecasts available to the Licensee including that provided by the Stranraer Shipper; and
 - (ii) provide to the Authority, with the figures provided under Condition 3.1.8.10(a)(i), and 3.1.8.10(a)(iii), a full explanation as to how they have been calculated.
- (c) In the event that the Stranraer Shipper has failed to provide such information prior to the date specified by 2A.2.3.1(a), the Licensee shall:
 - (i) ensure that the figures are as accurate as possible having regard to the information and forecasts available to the Licensee; and
 - (ii) inform the Authority that the Stranraer Shipper has failed to provide the required information;
- (d) The Licensee shall promptly provide to the Authority such further information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires, in relation to the figures provided in accordance with Condition 3.1.8.10;
- (e) The Licensee may fulfil its obligations under this Condition 3.1.8.10 by providing the relevant information in a joint report with one or more other Designated Pipeline Operators;
- (f) If, in the Authority's reasonable opinion, having regard to information and explanations provided by the Licensee and representations made on or before the fourth Business Day in April by any party which the Authority reasonably considers to have sufficient interest in making such representations (such parties to include the Licensee):

- (i) a figure provided under Condition 3.1.8.10 does not represent an accurate estimate taking into proper account all relevant information; and/or
- (ii) the assumptions provided in accordance with Condition 3.1.8.10(a)(ii) or 3.1.8.10(a)(iii) are inappropriate,

the Authority may by notice to the Licensee, given on or before the fifth Business Day in April of the relevant Gas Year, modify the figures, such notice to contain an explanation of the reasons for such modification.

- (g) The modified figure set out in any notice given by the Authority under paragraph (f) above, shall be substituted for, and for all purposes treated as, the Forecast UC Annual Quantity and/or the UCFC figure submitted by the Licensee.
- (h) If the Licensee fails to provide the figures required in accordance with Condition 3.1.8.10(a):
 - (i) the Authority shall be entitled, on or after the fifth Business Day in April by written notice to the Licensee, to determine the Forecast UC Annual Quantity and the UCFC: and
 - (ii) any such determination of the Authority may:
 - (aa) reflect the actual figures in respect of the previous Gas Year; or
 - (bb) reflect such other figures as the Authority reasonably deems appropriate.

Condition 3.1.8.11: Upstream Charges (UC Charges), Information Relating to the Previous Gas Year

2.27 We propose to introduce into the PTL licence a new Condition 3.1.8.11 as follows:

“3.8.1.11 Information relating to previous Gas Year

- (a) in each Gas Year the Licensee shall submit, along with the Actual Figures which are to be submitted to the Authority and the PSA under Condition 2A.2.3.2, the UC Actual Quantity and the UCAC and any further information required under any other Condition of this Licence;
- (b) The Licensee shall provide to the Authority such further information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires in connection with its consideration of any differences between the forecast figures and the corresponding actual figures for the Stranraer Shipper for the relevant Gas Year;
- (c) If the Licensee fails to provide the information required under 3.1.8.11(a) the Authority shall be entitled to determine the actual figures for the Stranraer Shipper as it reasonably deems appropriate and shall inform the Licensee by notice of the actual figures so determined.”

Condition 3.1.8.12: Upstream Charges (UC Charges), Publication of UC Charges

2.28 We propose to introduce into the PTL licence a new Condition 3.1.8.12 as follows:

“3.1.8.12 Publication of UC Charges

Subject to any contrary requirements in this Condition 3.1.8, the Licensee shall publish in such form and manner as the Authority may direct:

- (a) no later than 31st May each year, the Forecast UC Commodity Charge and Forecast UC Capacity Charge, or revised forecast charges as calculated under Condition 3.1.8.10, in respect of the next Gas Year and each of the following four Gas Years, a statement of such charges; and
- (b) no later than 3 Business Days after notification to it by the PSA of the Year-End UC Charges in respect of a Gas Year, a statement of

the Year-End UC Charges.

Condition 3.1.8.13: Upstream Charges (UC Charges), Definitions

2.29 We propose to introduce into the PTL licence a new Condition 3.1.8.13 as follows:

“3.1.8.13 Definitions

For the purposes of this Condition 3.1.8:

- | | |
|---|--|
| “Moffat IP” | means the Moffat Interconnection Point as defined in the Network Code |
| “Moffat Non-IP Entry Point” | has the meaning given to it in Condition 2A.1.1; |
| “Non-IP Entry Capacity” | has the meaning given to it in the Network Code; |
| “Non-IP Entry Overrun Charge” | means the entry overrun charge payable by the Stranraer Shipper in respect of the Moffat Non-IP Entry Point where the quantity of gas allocated to the Stranraer Shipper under the Network Code exceeds the capacity booked by the Stranraer Shipper under the Network Code and the SIA at the Moffat Non-IP Entry Point, which charge is to be applied and calculated in accordance with Condition 3.1.8.6 (a) and (b). |
| “Stranraer Exit Point” | has the meaning given to in in Condition 2A.1.1; |
| “Stranraer Interoperator Agreement”
or “SIA” | has the meaning given to it in Condition 3.1.8.1; and |

“**Stranraer Shipper**” has the meaning given to it in Condition 2A.1.1”

General:

2.30 The proposed modifications are set out in detail in Annexes A to D.

a. Reasons and Effects

Condition 2A.2.6.5: Postalisation Charges, Year-End Postalised Charges (Reconciliation Payment for Gas Supplier “s”) and Condition 2A.1.1 Interpretation and Construction:

- 2.31 The proposed renaming of the term $TORC_{ut}$ in the formula (and the definition that precedes it) into $TORC_{st}$ is designed to enhance consistency with the formula for the calculation of the Total Reconciliation Payment TPR_{st} set out that the beginning of the definition which uses the term $TORC_{st}$.
- 2.32 The proposed removal of the definition for the $TORC_{ut}$ term currently contained in the licences is consequential to the proposed changes described in paragraph 2.31.
- 2.33 The proposed change to the formula for the calculation of the $TORC_{st}$ term is designed to correct a formula error. This change will align the formula in the licence with the way the total of the Entry Overrun Charges due to Gas Supplier “s” in Gas Year “t” are calculated in practice and are intended to be calculated.
- 2.34 We consider that the proposed changes discussed in paragraphs 2.31. to 2.33 enhance accuracy, clarity, and transparency of licence drafting, but have no practical impact otherwise.
- 2.35 The proposed addition of the words “(excluding the amount relating to VAT)” in the definition of the term TIA_{st} term would give rise to a change from current practice: Currently, the allocation of Entry Overrun Charges to a Gas Supplier is based on the share of this supplier’s invoice amount out of the total of the invoice amounts from all gas suppliers for the Gas Year, and the invoice amounts being used are inclusive of VAT (Value Added Tax).
- 2.36 GMO NI (Gas Market Operator Northern Ireland) has pointed out that there are now some zero VAT rated Shippers. Allocating Entry Overrun Charges on the basis of gross invoice amounts (i.e. inclusive of VAT) rather than net invoice amounts (exclusive of VAT) disadvantages these Shippers. The proposed clarification that the TIA_{st} term relates to the total invoice amount excluding VAT amounts seeks to address this issue.
- 2.37 The change from using total invoice amounts including VAT amounts to

using total invoice amounts excluding VAT amounts as the basis for the allocation of Entry Overrun Charges will have a distributional effect on shippers. However, we consider that this change will enhance the fairness of the Entry Overrun Charge allocation arrangements. We also note that this distribution effect is expected to be of limited materiality, given that the total amount of Entry Overrun Charges itself is limited, with an average of ca. £124k over the last eight Gas Years.

- 2.38 The removal of the word “of” in the proposed definition of the TIA_{st} term is designed to address a grammatical error.
- 2.39 We consider that it enhances accuracy, clarity and transparency of licence drafting, but has no practical impact otherwise.
- 2.40 We note that paragraphs 2.31 to 2.39 relate to changes that, even though discussed in this chapter 2, are licence tidy-up changes unrelated to the Enduring Stranraer Arrangements.
- 2.41 However, the other proposed changes and addition to the definitions of formula terms described in paragraph 2.9 as well as the proposed new definitions set out in paragraph 2.7 are consequential to the introduction of Entry Overrun Charges for the Stranraer Shipper. They are designed to ensure that the same formula is used for the calculation of the Entry Overrun Charge allocation amount for the PS Shippers and the Stranraer Shipper, even if:
- The calculation of the allocation amount for the PS Shippers is covered in Condition 2A.2.6.5;
 - The calculation of the allocation amount for the Stranraer Shipper is covered in Condition 3.1.8.9 (c), and TIA_{ut} is there being referred to as TIAUC_t.
- 2.42 For a discussion of the reasons for and effects of introducing Entry Overrun Charges for the Stranraer Shipper see paragraphs 2.76 to 2.81

Condition 3.1.8: Upstream Charges (UC Charges) (Introduction)

- 2.43 The proposed change to the title of Condition 3.1.8 is designed to clarify what the term UC Charges, which to date has been used but not defined in the PTL licence, stands for.
- 2.44 In particular, the proposed amendments set out:
- That the abbreviation “UC” stands for “Upstream.”
 - That Condition 3.8.1 applies to the Economic Network and does

hence form part of the exceptions under the proposed amended Condition 1.1.9.¹⁰

- Which charges are relevant to the Stranraer Shipper, with a reference to provisions that contain further details on how these charges are to be calculated/ determined.
- 2.45 We consider that setting out these matters in the licence drafting enhances the clarity, transparency and accuracy of the licence, but has no practical impact otherwise.
- 2.46 We note, however, that some of the charging arrangements referred to in the proposed amendments to the introductory section to Condition 1.8.3 have not been applicable to the Stranraer Shipper to date. This includes in particular Non-IP Entry Overrun Charges. Also, as to date there has been no annual reconciliation in relation to the Stranraer Shipper, there has been no need to set out Year-End UC Charges. Finally, arrangements with respect to the provision of OS Services have already been applicable to the Stranraer Shipper to date, there are some consequential changes from the recent update of the OS Scheme and CMP Methodology Statement⁶ and its application.
- 2.47 For a discussion of the reasons for and effects of:
- Introducing Entry Overrun Charges for the Stranraer Shipper see paragraphs 2.76 to 2.81.
 - Introducing annual reconciliation in relation to the Stranraer Shipper, see paragraphs 3.32 onwards.
 - The recent update of the OS Scheme and CMP Methodology Statement in relation to the Stranraer Shipper see paragraphs 2.69 to 2.75.
- 2.48 Condition 3.1.8.1: Upstream Charges (UC Charges), The proposed addition of the new Condition 3.1.8.1 into the PTL licence is designed to: set out the arrangements for charging the Stranraer Shipper for gas transportation on the Economic Network upstream of the Northern Ireland high water mark.
- 2.49 Additional paragraphs (b) to (e) have been added to provide additional clarity and reference appropriate licence conditions for guidance and additionally promote adherence with Network Code requirements, where appropriate.
- Paragraph (b) outlines how the Non IP Entry Overrun Charges and Exit Ratchet Charges for the Stranraer Shipper should be calculated by the

¹⁰ See paragraph 5.6 for details.

PSA, in accordance with the terms of conditions 3.1.8.8 and 3.1.8.9 of the licence.

- Paragraph (c) outlines how the Year End UC Charges and Year End UV Reconciliation Payments should be calculated in accordance with Condition 3.1.8.9.
- Paragraph (d) states that PS Code Charges for the Stranraer Shipper shall be determined in accordance with the Network Code.
- Paragraph (e) states that the licensee shall operate the OS Scheme in relation to Stranraer in accordance with the provisions of Condition 3.1.8.5.

2.50 We consider that the proposed amendments to condition 3.1.8.1 enhance the accuracy, transparency and clarity of the PTL licence requirements.

Condition 3.1.8.2: Upstream Charges (UC Charges), Forecast UC Commodity Charge

2.51 Condition 3.1.8.2 is designed to set out the arrangements for the calculation of the Forecast UC Commodity Charge and the monthly UC Commodity Payments.

2.52 Whilst these arrangements are in principle already contained in the current PTL licence and are not envisaged to change fundamentally, we have proposed amendments to the existing wording to:

- Clarify that the arrangements relate specifically to the (one) Stranraer Shipper and Stranraer Exit Point (rather than to any “UC Gas Supplier” and “each UC Exit Point”).
- Add indices in the formula for the calculation of the Forecast UC Commodity Charge and the Monthly UC Commodity Payment, as well as to the related formula terms and their definitions, to show that they refer to Gas Year^{t11}.
- Add indices in the formula for the calculation of the Monthly UC Commodity Payment, and to the related formula terms and their definitions, to show that they refer to month m¹².
- Clarify that the Forecast Required Revenue (FRR) to be deducted from the PS Forecast Required Revenue for Gas Year_t in the formula for the UComC_t term (Forecast UC Commodity Charge for Gas

¹¹ No t index has been proposed to the Commodity Percentage terms, as this term is defined in Condition 2A.2.5.2 (a) and not subject to be calculated for each Gas Year.

¹² No m index has been proposed to the Forecast UC Commodity Charge term UComC_t, as this term is established on a yearly basis.

Year_t) is $FRRL_t$ ¹³

- Ensure all formula terms used in the condition are defined.
- Provide additional clarity specifically with respect to the $FRRU_t$ term (Licensee's Forecast Required Revenue including Forecast UC Revenues in respect of Gas Year_t) to draw attention to the fact that this relates to Forecast (rather than Actual) Required Revenues and set out in mathematical terms how it is to be calculated.

2.53 We note that the clarifications referred to in the last bullet point support a clear differentiation between forecast and actual values, which assists with the introduction of annual year-end reconciliation in relation to the Stranraer Shipper (see chapter 3 for further details).

2.54 We consider that the proposed Condition 3.1.8.2 for the PTL licence enhances clarity, accuracy and transparency of the licence drafting.

Condition 3.1.8.3: Upstream Charges (UC Charges), Forecast UC Capacity Charge (Payable Non-IP Entry Capacity Price and the Payable Exit Capacity Price for the Stranraer Shipper)

2.55 The proposed modification to the condition title seeks to establish the link between the term “UC Capacity Charge” used in the licence and the terms “Payable Non-IP Entry Capacity Price” and “Payable Exit Capacity Price” used in the NI Network Gas Transmission Code.

2.56 Condition 3.1.8.3 is designed to set out the arrangements for the calculation of the Forecast UC Capacity Charge and the monthly UC Capacity Payments.

2.57 Whilst these arrangements are in principle in place today, they are not properly reflected in the current licence drafting. In fact, the current Condition 3.1.8.2 relating to Forecast UC Capacity Charge only refers to Exit Capacity, even though an entry-exit regime was introduced into the NI regulatory framework in 2015³ and charges are in practice (and as intended) being calculated and applied to the Stranraer Shipper with respect to Entry and Exit Capacity.

2.58 It should be noted that under the legacy arrangements for Stranraer, the Entry Capacity held by the Stranraer Shipper was IP Entry Capacity; however, under the Enduring Stranraer Arrangements it is Non-IP Entry Capacity. The proposed amendments have been drafted to address this.

2.59 In addition, similar to the changes proposed in Condition 3.1.8.2 with respect

¹³ For further details, see chapter 3.

to Forecast UC Commodity Charges, the proposed amendments to Condition 3.1.8.3 are designed to:

- Clarify that the arrangements relate specifically to the (one) Stranraer Shipper as well as the Stranraer Exit Point and Moffat Non-IP Entry Point (rather than to any “UC Gas Supplier” and “a UC Exit Point”).
- Add indices in the formula for the calculation of the Forecast UC Capacity Charge and the Monthly UC Capacity Payment, as well as to the related formula terms and their definitions, to show that they refer to Gas Year¹⁴.
- Add indices in the formula term for the calculation of the Monthly UC Capacity Payment to show that it refers to month “m”¹⁵.
- Clarify that the Forecast Required Revenue to be deducted from the PS Forecast Required Revenue for Gas Year_t (in the formula for the UCCapC_t term (Forecast UC Capacity Charge for Gas Year_t) is FRRL_t¹³.
- Ensure all formula terms used in the condition are defined in so far as these same terms have not already been used and defined in proposed Condition 3.1.8.2.

2.60 We consider that the proposed Condition 3.1.8.3 for the PTL licence enhances clarity, accuracy and transparency of the licence drafting.

2.61 The introduction of Non-IP Entry Capacity into the licence and the arrangements for establishing the Forecast UC Capacity Charge as well as the Monthly UC Capacity Payment do constitute a change from legacy arrangements. However, this change is consequential to the SIA and to Code Modification No. 9 to the NI Network Gas Transmission Code⁵ which have already been implemented. In practical terms, the Stranraer Shipper will continue to be charged for its Entry Capacity (and Exit Capacity), even if the type of Entry Capacity is changed (from IP to Non-IP Entry Capacity). Notwithstanding this change of type of Entry Capacity being used, the underlying logic for the calculation of the Forecast UC Capacity Charge and the Monthly UC Capacity Payment remain the same as that which has been applied (even if not fully reflected in the licence) since the introduction of the Entry-Exit regime.

¹⁴ No t index has been proposed to the Capacity Percentage terms, as this term is defined in Condition 2A.2.5.3 (b) and not subject to be calculated for each Gas Year.

¹⁵ No m index has been proposed to the Forecast UC Capacity Charge term UCCapC_t, as this term is established on a yearly basis. Also, no m index has been proposed to the actual amount of capacity allocated to the Stranraer Shipper in respect of Moffat Non-IP Entry Point and Stranraer Exit Point UCAC_t, as capacity in relation to these points is held on an annual basis.

Condition 3.1.8.4: Upstream Charges (UC Charges), Forecast UC Revenues and Actual UC Revenues

- 2.62 Condition 3.1.8.4 is designed to set out how PTL's Forecast and Actual UC Revenues will be established. This is a change from the corresponding current Condition 3.1.8.3 which only covers Forecast UC Revenues. The widening of the focus of this Condition to also cover Actual UC Revenues assists with the introduction of annual year-end reconciliation in relation to the Stranraer Shipper (see chapter 3 for further details).
- 2.63 The provisions for the calculation of the Forecast UC Revenues are similar to those currently included in the current PTL licence, even though some drafting changes have been proposed to:
- Set the calculation more clearly out in form of a formula.
 - Align with the terminology introduced in (the proposed new) Conditions 3.1.8.2 and 3.1.8.3.
- 2.64 It is noted that this means, as set out above with respect to the proposed new Condition 3.1.8.3, that the capacity used in the calculation of the Forecast UC Revenue comprises of Non-IP Entry Capacity at the Moffat Non-IP Entry Point and Exit Capacity at the Stranraer Exit Point forecast to be held by the Stranraer Shipper. Other than this, the proposed calculation of the Forecast UC Revenue is essentially the same as under current licence arrangements.
- 2.65 The provisions for the calculation of the Actual UC Revenues set out that this is the cash amount actually received from the Stranraer Shipper:
- in respect of the following charges: UC Commodity Charges, UC Capacity Charges and Exit Ratchet Charges (but excluding Non-IP Entry Overrun Charges).
 - after deduction of VAT and any other taxes.
- 2.66 The reason for the proposal to treat Exit Ratchet Charges and Non-IP Entry Overrun Charges differently from a revenue perspective is that, as per the Postalised arrangements:
- Exit Ratchets lead to an increase in capacity, with associated payments going into the PoT (Postalised Transmission Account), whereas,
 - Overrun Charges do not form part of the PoT and do not entail an increase in capacity held.

2.67 It should be noted that Non-IP Entry Overrun Charges are a new concept proposed to be introduced into the licence¹⁶, in line with Code Modification No. 9 to the NI Network Gas Transmission Code⁵ which has already been implemented. Thus, clarification of how this charge is to be treated from a revenue perspective could be seen as a consequential change.

2.68 It is considered that the proposed Condition 3.1.8.4 adds clarity and transparency to the licence. In addition, it forms a basis for the proposed provisions for the introduction of year-end reconciliation for the Stranraer Shipper. These provisions are discussed in further detail in chapter 3 which also sets out the associated reasons and effects.

Condition 3.1.8.5: Upstream Charges (UC Charges), OS Services relating to Stranraer and Condition 3.1.8B OS Services at Stranraer

2.69 The existing Condition 3.1.8B OS Services at Stranraer is outdated for several reasons:

- The condition only refers to exit, not entry points.
- Pursuant to Condition 27.4.7 of the NI Network Gas Transmission Code¹⁷, buybacks are not applicable to Non-IP Entry Capacity.
- The condition indicates that the OS Scheme provisions concerning the calculation and application of charges for provision of OS Services do not apply in relation to Stranraer; however, Stranraer arrangements do now form part of the updated OS Scheme and CMP Methodology⁶ Statement to facilitate the transfer of Non-IP Capacity to IP Capacity if needed.

2.70 Removing Condition 3.1.8B OS Services at Stranraer and replacing it with the new Condition 3.1.8.5 OS Services relating to Stranraer which accounts for the Enduring Stranraer Arrangements seeks to address these issues.

2.71 More specifically, the new Condition clarifies that:

- OS Services and/or congestion management arrangements that may be offered in relation to Stranraer shall be in accordance with the OS Scheme and CMP Methodology Statement.
- OS Services may involve the release of capacity at the Moffat Non-IP Entry Point as OS Capacity, PTL receiving related OS Revenues and

¹⁶ For further details see paragraphs 2.76 to 2.81.

¹⁷ This condition was introduced through Code Modification No. 9 as part of the implementation of the Enduring Stranraer Arrangements. For further details see the [Initial Modification Report](#) (17 August 2020) and [Final Modification Report](#) (20 October 2020) issued by GMO NI (Gas Market Operator Northern Ireland), as well as related [approval letter](#)

the Stranraer Shipper participating in any share of OS Revenues due to it because of the application of the OS Scheme.

- Capacity withdrawals at the Moffat Non-IP Entry Point shall be subject to determination by the Authority.
- Charges described in Condition 3.1.8.5 shall, in respect of a Gas Year, not be subject to reconciliation or other adjustment.

2.72 We note that with respect to withdrawal of capacity there is a difference between the proposed arrangements for the Stranraer Shipper (in Condition 3.1.8.5) and the PS Shippers (in Condition 2A.2.1.21) in so far as:

- With respect to Non-IP Entry Capacity, any decision as to what constitutes proper justification for the underutilisation of capacity and whether capacity should be withdrawn from the Non-IP Entry Point and transferred to the IP Entry Point is subject to determination by the Authority.
- With respect to IP Entry Capacity, Authority determination is only required where a Shipper disagrees with an Intended Withdrawal Notice and refers the matter to the Authority.

This difference reflects the related arrangements in the NI Network Gas Transmission Code and the OS Scheme and Methodology Statement; it has been introduced as withdrawal of Non-IP Entry Capacity will have consequences for the IP Entry Point as well.

2.73 Proposed Condition 3.1.8.5.3 has been drafted to mirror the equivalent Condition 2A.2.1.16 which, at the time it was introduced, was designed to allow for a clearer differentiation between the treatment of charges relating to the OS Scheme and those relating to postalisation¹⁸. We note that neither Condition 2A.2.1.16 nor Condition 3.1.8.5 (e) are intended to be contradictory to the arrangements for calculation of OS Revenues, under the OS Scheme (including paragraph 8.3.1.5¹⁹ thereof).

2.74 We consider that the proposed arrangements are consequential to the modifications already made as part of the implementation of the Enduring Stranraer Arrangements, in particular provision 12.3 and 2.4 of the OS

¹⁸ See [Utility Regulatory: Gas Transmission Licence Changes for Congestion Management Procedures \(CMP\) in Northern Ireland, Consultation Paper, 1 October 2013](#) and [Utility Regulator: Gas Transmission Licence Changes for Congestion Management Procedures \(CMP\) in Northern Ireland, Decision Paper, 16 January 2014](#). We note that Condition 2A.2.1.16 was at the time referred to as Condition 2A.2.1.23.

¹⁹ Paragraph 8.3.5 of the OS Scheme reads: "The calculation of the OS Revenues shall be completed by 1 February in respect of the previous Gas Year. This is required as the Buyback Caps to be determined for October, November and December of Gas Year Y+1 must be closed before the net OS revenues for Gas Year Y is finalised".

Scheme and CMP Methodology Statement and clauses 27.4.1 to 27.4.7 of the NI Network Gas Transmission Code. The proposed licence modifications will thus enhance consistency between the licence and these arrangements, and enhance clarity, transparency and accuracy of the licence.

- 2.75 The proposed licence modifications, as well as the related NI Network Gas Transmission Code and OS Scheme and CMP Methodology Statement arrangements also further:
- The protection of consumers by ensuring that in certain circumstances unused Non-IP Entry Capacity may be made available as IP Capacity.
 - The equitable treatment of the Stranraer Shipper compared to PS Shippers by allowing the Stranraer Shipper to share the OS Revenues.

Condition 3.1.8.6: Upstream Charges (UC Charges), Non-IP Entry Overrun Charges and Exit Ratchet Charges for the Stranraer Shipper

- 2.76 The proposed new Condition 3.1.8.6 in the PTL licence is designed to clarify that the Stranraer Shipper may be charged Non-IP Entry Overrun and Exit Ratchet Charges and to set out the basis for such charging.
- 2.77 This is done through referencing the NI Network Gas Transmission Code and Gas Transmission Charging Methodology Statement, and by specifying that P_{daily} , the price to determine the Non-IP Entry Overrun Charge, equals the Forecast UC Capacity Charge in respect of Gas Year_t divided by 365.
- 2.78 The proposed licence arrangements for Entry Overrun Charges and Exit Ratchet Charges for the Stranraer Shipper have been drafted to be consistent with the corresponding arrangements for PS Shippers in Part 2A²⁰ of the licence where reasonable.
- 2.79 The proposed definition of the term “Gas Transmission Charging Methodology Statement,” also aligns largely with that used in Condition 2A.1.1. The only difference is that the term as used in Condition 3.1.8.6 also covers the provisions therein.
- 2.80 Provisions with respect to Non-IP Entry Overrun Charges and Exit Ratchet Charges for the Stranraer Shipper have been introduced into the NI Network Gas Transmission Code as part of Code Modification 9⁵. The proposed introduction of Condition 3.1.8.6 is consequential to this.
- 2.81 As pointed out in the related Initial Modification Report²¹ for this code

²⁰ See in particular Conditions 2A.2.1.7 and 2A.2.1.9.

²¹ [GMO NI: Initial Modification Report No.9, Introduction of a Non-IP Entry Point and Update to the arrangements for Stranraer, 17 August 2020.](#)

modification, the application of Entry Overrun Charges for the Non-IP Entry Point is a change in so far as under the legacy arrangements for Stranraer, the Stranraer Shipper used to be exempt from overrun charges. This change will lead to a more equitable treatment of the Stranraer Shipper compared to PS Shippers as it means they will all be liable to behavioural charges when they are allocated gas more than their respective Entry Capacity holding.

Condition 3.1.8.7: Upstream Charges (UC Charges), Total Monthly Invoices to the Stranraer Shipper

- 2.82 The new Condition 3.1.8.7 proposed to be introduced into the PTL licence sets out:
- How the monthly capacity and commodity invoice for the Stranraer Shipper is to be calculated;
 - That the Stranraer Shipper shall also be invoiced, in accordance with the NI Network Gas Transmission Code, for other items such as:
 - ◆ PS Code Charges on a monthly basis.
 - ◆ OS Revenues and any other ad hoc invoice requirements as may be appropriate from time to time.
- 2.83 Examples of ad hoc invoice requirements that may arise from time to time could be correction of balancing charges or late payment charges.
- 2.84 The proposed formula for the calculation of the TIAUC_{mt} term (i.e. the total capacity and commodity invoice amount for the Stranraer Shipper in month m of Year_t) is similar to the formula for the calculation of the total monthly invoice amount in relation to PS Shippers set out in Condition 2A.2.5.5 of the licence, whilst only including those components relevant to the Stranraer Shipper. In particular, taking into consideration the proposed modification to Condition 2A.2.5.5 (as explained in further detail in chapter 5), both formulae account for VAT in the same way.
- 2.85 We note that monthly invoicing of the Stranraer Shipper for capacity and commodity charges is not new, even if:
- details on the calculation of the monthly invoice amounts have to date not been included in the licence; and
 - certain invoice items such as e.g. Entry Overrun Charges have not been applicable to the Stranraer Shipper in the past.
- 2.86 We consider that the proposed new condition will add clarity and transparency to the licence.

Condition 3.1.8.10: Upstream Charges (UC Charges), Provision of Forecasts and Information Relating to the Calculation of Charges for the Stranraer Shipper

- 2.87 The new Condition 3.1.8.10 proposed to be introduced into the PTL licence sets out an obligation on the Licensee to provide to the Authority forecasts for the UC Annual Quantity and UC Capacity and supporting information, similar to those required for the PS System.
- 2.88 The proposed new Condition 3.1.8.10 also sets out powers for the Authority to modify the forecast for the UC Annual Quantity and/or UC Capacity if it is not accurate or the underlying assumptions are inappropriate, and to determine the forecast UC Annual Quantity and/or UC Capacity should PTL fail to provide the relevant figures.
- 2.89 The proposed new Condition refers to, and is based on, the equivalent Condition 2A.2.3.1 for PS Shippers.
- 2.90 We note that whilst an obligation for provision of information relating to the calculation of charges for the Stranraer Shipper has to date not been included in the licence, such information has – at least with respect to forecasts – already been provided in practice.
- 2.91 We consider furthermore that, even if information relating to the calculation of charges is provided in the absence of a related licence condition, embedding into the licence an obligation to do so will enhance clarity and transparency, the robustness of the regulatory arrangements as well as consistency of the arrangements relating to the Stranraer with those relating to the Postalised System.

Condition 3.1.8.11: Upstream Charges (UC Charges), Information Relating to the Previous Gas Year

- 2.92 The new Condition 3.1.8.11 proposed to be introduced into the PTL licence sets out an obligation on the Licensee to provide to the Authority actuals for the UC Annual Quantity and UC Capacity and supporting information, similar to those required for the PS System.
- 2.93 The proposed new Condition 3.1.8.11 also sets out powers for the Authority to determine such actuals should PTL fail to provide the relevant figures.
- 2.94 The proposed new Condition refers to, and is based on, the equivalent Condition 2A.2.3.2 for PS Shippers.
- 2.95 We acknowledge that the provision of actuals with respect to the Stranraer Shipper may involve some additional administrative burden, but do not consider this to be significant. We consider that this information is important

to assist with the introduction of annual year-end reconciliation in relation to the Stranraer Shipper (see chapter 3 for further details).

- 2.96 We consider furthermore that the proposed new licence condition will enhance the robustness of the regulatory arrangements as well as consistency of the arrangements relating to the Stranraer Shipper with those relating to the Postalised System.

Condition 3.1.8.12: Upstream Charges (UC Charges), Publication of UC Charges

- 2.97 The new Condition 3.1.8.12 proposed to be introduced into the PTL licence sets out an obligation on the Licensee to publish, in such form and manner as the Authority may direct, the forecast and end of year UC Commodity and UC Capacity Charges.
- 2.98 The proposed new Condition refers to, and is based on, the equivalent Condition 2A.2.7 for PS Shippers.
- 2.99 We acknowledge that this is a new requirement for the Licensee, as charges relating to the Stranraer Shipper have not been published to date. However, we do not consider the administrative burden associate with the publication of these charges to be significant.
- 2.100 We consider furthermore that the proposed new licence condition will enhance transparency as well as consistency of the arrangements relating to the Stranraer with those relating to the Postalised System.

Condition 3.1.8.13: Upstream Charges (UC Charges), Definitions

- 2.101 The proposed new Condition 3.1.8.13 is designed to define some key terms that are used throughout Condition 3.1.8, namely, “Moffat IP”, “Moffat Non-IP Entry Point”, “Non-IP Entry Capacity”, “Non-IP Entry Overrun Charge”, “Stranraer Exit Point”, “Stranraer Interoperator Agreement” or “SIA” and “Stranraer Shipper”.
- 2.102 We consider that this new Condition will enhance clarity and transparency of the licence drafting.

3. Annual Year-End Reconciliation for Stranraer

Background

- 3.1 Current PTL licence arrangements do not foresee an annual year-end reconciliation process in relation to the Stranraer Shipper. Whilst generally charging arrangements for the Stranraer Shipper have been designed to be similar to those for other shippers in the PS regime, this is a key difference.
- 3.2 As set out in chapter 2, the key focus for the introduction of the Enduring Stranraer Arrangements was to facilitate the ongoing conveyance of gas to Stranraer. In designing the framework to support this, care was taken to ensure, where reasonable, equitable treatment of the Stranraer and the PS Shippers. In this context, annual year-end reconciliation with respect to the Stranraer Shipper has been identified as one area where such equity of treatment could be furthered.
- 3.3 When Modification 9 to the NI Network Gas Transmission Code was implemented with an effective date of 1 March 2021⁵, it introduced, in clause 17.4.9 an option into the code for end-of-year reconciliation charges to be applied to the Stranraer Shipper, in accordance with the PTL licence.
- 3.4 The modifications detailed in this chapter set out the related licence modifications.²² They relate mainly to the PTL licence. However, the BGTL licence is impacted also, as one of the relevant licence conditions is standardised across both licences.
- 3.5 It should be noted that introduction of year-end reconciliation with respect to the Stranraer Shipper is not directly consequential to the Enduring Stranraer arrangements. It is an optional change, as such, as the supply of gas to Stranraer on an enduring basis (including consistency with the other arrangements that have already been put in place for this purpose) could also be facilitated in the absence of such reconciliation.
- 3.6 We consider that, even if not necessary to facilitate the supply of gas to Stranraer on an ongoing basis, the introduction of year-end reconciliation with respect to the Stranraer Shipper is desirable. We have summarised our reasons for this view, in addition to, the anticipated effect of such a step, at the end of this chapter (in paragraphs 3.32 onwards), following a discussion of the related modifications proposed to individual licence conditions.

²² It should be noted that chapter 2 also contains some licence modifications which support the introduction of annual year-end reconciliation for the Stranraer Shipper. This is reflected in the commentary in that chapter, as well as in the “Main Driver for Modification” column in Table .

Proposed Licence Modifications

Condition 3.1.3: Allowed Revenue Determination, The Forecast Required Revenue:

3.7 We propose to amend paragraph (b) of Condition 3.1.3 of the PTL licence as follows:

- Insert, after “The Forecast Required Revenue of the Licensee in respect of each subsequent Gas Year_t,” the term “(FRRL_t)”

After “(other than any Gas Year which is a Post Finance Gas Year) shall be”, remove the full stop and add the words “calculated in accordance with the following formula:

$$FRRL_t = (Aft + Bft + Cft) - (Dft + Eft + Fft + Hft)”$$

- Replace the remainder of paragraph b) from paragraph (i) onwards with the following wording :

“Where:

A_t = the Fixed Amount forecast by the Licensee for the Gas Year_t

B_t = the amount of the Eligible Pass-Through Costs forecast by the Licensee for the Gas Year_t

C_t = the Postalisation Adjustment forecast by the Licensee for the Gas Year_t

D_t = the Ratio Account Credit forecast by the Licensee for the Gas Year_t

E_t = the Insurance Recoveries forecast by the Licensee for the Gas Year_t

F_t = the Forecast UC Revenues for such Gas Year_t calculated in accordance with Condition 3.1.8.4(a); and

H_t = the Licensee OS Revenues Share forecast by the Licensee for the Gas Year_t”

3.8 We propose to make equivalent changes to paragraph (b) of Condition 3.1.3 of the BGTL licence, but accounting for the fact that Forecast UC Revenues and forecast Licensee OS Revenues are not applicable in this case. This means we propose to:

- Insert, after “The Forecast Required Revenue of the Licensee in respect of each subsequent Gas Year_t,” the term “(FRRL_t)”

- After “(other than any Gas Year which is a Post Finance Gas Year) shall be”, remove the full stop and add the words “calculated in accordance with the following formula:

$$FRRL_t = (Af_t + Bf_t + Cf_t) - (Df_t + Ef_t)$$

- Replace the remainder of paragraph (b) from paragraph (i) onwards with the following wording:

“Where:

Af_t = the Fixed Amount forecast by the Licensee for the Gas Year_t

Bf_t = the amount of the Eligible Pass-Through Costs forecast by the Licensee for the Gas Year_t

Cf_t = the Postalisation Adjustment forecast by the Licensee for the Gas Year_t

Df_t = the Ratio Account Credit forecast by the Licensee for the Gas Year_t

Ef_t = the Insurance Recoveries forecast by the Licensee for the Gas Year_t”

Condition 3.1.5: Allowed Revenue Determination, Definition of Formula Terms:

- 3.9 We propose to amend, in Condition 3.1.5 of the PTL licence, the definition for the F_t term by inserting the term “Actual” before the term “UC Revenues” and adding “determined in accordance with Condition 3.1.8.4(b)” at the end of the definition.

Condition 3.1.7: Allowed Revenue Determination, Authority Direction and Definitions:

- 3.10 We propose to remove the definition of the term “UC Revenues” from Condition 3.1.7.2 of the PTL Licence.
- 3.11 We propose to amend the formula used to determine the Commodity Reconciliation Payment in Gas Year_t in the BGTL licence adding an “L” after “ARR” in the respective formula.

Condition 3.1.8.8: Upstream Charges (UC Charges), End of Year UC Charges

- 3.12 We propose to introduce into the PTL licence a new Condition 3.1.8.8 as follows:

“3.1.8.8 End of Year UC Charges

- (a) The Year-End UC Charges shall comprise a Year-End UC

Commodity Charge calculated in accordance with Condition 3.1.8.8(b), a Year-End UC Capacity Charge calculated in accordance with Condition 3.1.8.8(c) and a UC Overrun Reconciliation Payment calculated in accordance with Condition 3.1.8.9(d) in each case calculated by the PSA;

- (b) The Year-End UC Commodity Charge in respect of each unit of gas allocated to the Stranraer Shipper under the Network Code in respect of Stranraer Exit Point on each day during Gas Year_t shall be calculated as :

$$YEUCComC_t = \frac{[(PSARR_t - ARRL_t) + ARRU_t] * \text{Commodity Percentage}}{(PS \text{ Annual Quantity}_t + UC \text{ Annual Exit Quantity}_t)}$$

where

YEUCComC_t = the Year-End UC Commodity Charge in respect of Gas Year “t”

PSARR_t = the total PS Actual Required Revenue for Gas Year “t” determined in accordance with Condition 2A.2.6.2;

ARRU_t = ARRL_t + F_t

where:

ARRL_t means the Actual Required Revenue of the Licensee not including Actual UC Revenue for Gas Year “t” determined in accordance with Condition 3.1.4; and

F_t means the Actual UC Revenue of the Licensee for Gas Year “t” determined in accordance with Condition 3.1.8.4(b);

PS Annual Exit Quantity_t means the sum of the Annual Exit Quantities of PS Gas Suppliers in respect of Gas Year “t” determined in accordance with Condition 2A.2.6.2;

UC Annual Exit Quantity_t means the total quantity of gas, (measured in kWh) allocated to the Stranraer Shipper in respect of the Stranraer Exit Point in Gas Year “t”;

- (c) The Year-End UC Capacity Charge in respect of each kWh of capacity allocated to the Stranraer Shipper under the Network Code in respect of the Moffat Non-IP Entry Point and Stranraer Exit Point on each day during Gas Year “t” shall be calculated as:

$$YEUCCapC_t = \frac{[(PSARR_t - ARRL_t) + ARRU_t] * \text{Capacity Percentage}}{(TWC_t + UCAC_t)}$$

where:

YEUCCapC_t = the Year End UC Capacity Charge in respect of Gas Year “t”

PSARR_t shall have the meaning given to it in Condition 3.1.8.8(a);

ARRL_t shall have the meaning given to it in Condition 3.1.8.8(a);

ARRU_t shall have the meaning given to it in Condition 3.1.8.8(a);

Capacity Percentage shall have the meaning ascribed to that term in Condition 2A.2.5.3(b);

TWC_t means the Total Weighted Annual Capacity Bookings of PS Gas Suppliers in respect of Gas Year “t” determined in accordance with Condition 2A.2.6.3(a); and

UCAC_t is the actual amount of capacity allocated to the Stranraer Shipper in respect of Moffat Non-IP Entry Point and Stranraer Exit Point in

respect of Gas Year “t”;

Condition 3.1.8.9: Upstream Charges (UC Charges), End of Year UC Reconciliation Payment

3.13 We propose to introduce into the PTL licence a new Condition 3.1.8.9 as follows:

“3.1.8.9 End of Year UC Reconciliation Payment

- (a) The UC Commodity Reconciliation Payment (YEUCComRP_t) in respect of Gas Year shall be calculated as:

$$\text{YEUCComRP}_t = (\text{YEUCComC}_t - \text{UCComC}_t) \times \text{UC Annual Quantity}_t$$

where:

YEUCComC_t shall have the meaning given to it in Condition 3.1.8.8(b);

UCComC_t shall have the meaning given to it in Condition 3.1.8.2(a); and

UC Annual Quantity_t shall have the meaning given to it in Condition 3.1.8.8(b).

- (b) The UC Capacity Reconciliation Payment (YEUCCapRP_t) in respect of Gas Year_t shall be calculated as:

$$\text{YEUCCapRP}_t = (\text{YEUCCapC}_t - \text{UCCapC}_t) \times \text{UCAC}_t$$

where:

YEUCCapC_t shall have the meaning given to it in Condition 3.1.8.8(c);

UCCapC_t shall have the meaning given to it in Condition 3.1.8.3(a); and

UCAC_t shall have the meaning given to it in Condition 3.1.8.3(b).

- (c) The UC Overrun Reconciliation Payment in respect of the Stranraer Shipper shall be calculated according to the following formula:

$$\text{TORCUC}_t = \left(\sum_{s=1}^n \text{ORC}_{st} \right) \times \frac{\text{TIAUC}_t}{\sum_{s=1}^n \text{TIA}_{st}}$$

where:

TORCUC_t is the proportion of the total of the Entry Overrun Charges due to the Stranraer Shipper in Gas Year “t”;

$\sum_{s=1}^n \text{ORC}_{st}$ is the aggregated sum for all gas Suppliers of the Entry Overrun Charges in Gas Year “t” calculated as follows:

- (a) The sum of monthly overrun charges as defined in Condition 2A.2.5.5
plus
(b) any Non-IP Entry Overrun Charges for Gas Year “t”, calculated in accordance with Condition 3.1.8.6 (a);

TIAUC_t is the total of all monthly invoice amounts for the Stranraer Shipper in Gas Year_t excluding VAT amounts;

$\sum_{s=1}^n \text{TIA}_{st}$ is the total of all monthly invoice amounts for (a) all Gas Suppliers, and (b) the Stranraer Shipper determined, as determined in accordance with Condition 2A.2.6.5;

n is the total number of Gas Suppliers active in Gas Year “t” plus, for the purposes of this calculation, the Stranraer Shipper;

- (d) The Total UC Reconciliation Payment (TUCRpt) in respect of the Stranraer Shipper for Gas Year “t” shall be calculated as:

$$\text{TUCRP}_t = \text{YEUCComRP}_t + \text{YEUCCapRP}_t - \text{TORCUC}_t$$

where:

YEUCComRP_t means the UC Commodity Reconciliation Payment calculated in accordance with Condition 3.1.8.9(a);

YEUCCapRP_t means the UC Capacity Reconciliation Payment calculated in accordance with Condition 3.1.8.9(b);
and

TORCUC_t shall have the meaning given to it in Condition 3.1.8.9(c),

and where the Total Reconciliation Payment (a) is a positive value, it shall be a payment due from the Stranraer Shipper, and (b) it is a negative value it shall be a payment due to the Stranraer Shipper.

General:

- 3.14 The proposed modifications are set out in detail in Annexes A and B.

Reasons and Effects

Condition 3.1.3: Allowed Revenue Determination, The Forecast Required Revenue:

- 3.15 In the current PTL and BGTL licences, Condition 3.1.3 (b) defines the Forecast Required Revenue with reference to the forecasts of the equivalent terms used in Condition 3.1.4 in the calculation of the Actual Required Revenue. The calculation is described verbally rather than in formula terms and the licences do not have a specific term for the forecast values of the summands.
- 3.16 The proposed introduction of annual year-end reconciliation for the Stranraer Shipper²³ requires a clear differentiation in the PTL licence between the Forecast UC Revenues (proposed to be designated by the term F_t) and Actual UC Revenues (proposed to be designated by the term F_t) for a Gas

²³ See paragraph 3.32 for related reasons and effects.

Year. The term F_{ft} is introduced for this reason and defined with reference to the proposed new Condition 3.1.8.4 (a) which details how it is to be calculated.²⁴

- 3.17 The introduction, in the PTL licence, of the letter f (for forecast) in the other components of the $FRRL_t$ calculation, the related updates to the definitions of the formula terms and the inclusion of a mathematical formula instead of the current verbal description of the calculation process are not absolutely necessary. However, we consider that these changes will be useful as they will both further consistency within the licence and enhance clarity and transparency of the licence drafting; in our view these changes have no practical impact otherwise.
- 3.18 Similarly, the proposed changes to Condition 3.1.8 of the BGTL licence are not absolutely necessary. However, we consider that these changes will be useful as they will maintain the existing consistency between the PTL and BGTL licences and enhance clarity and transparency of the licence drafting; in our view these changes have no practical impact otherwise.

Condition 3.1.5: Allowed Revenue Determination, Definition of Formula Terms:

- 3.19 As set out in paragraph 3.16, the proposed introduction of annual year-end reconciliation for the Stranraer Shipper²³ requires a clear differentiation in the PTL licence between the Forecast UC Revenues (proposed to be designated by the term F_{ft}) and Actual UC Revenues (proposed to be designated by the term F_t) for a Gas Year. The proposed change to the definition of the F_t term in Condition 3.1.5 of the PTL licence is designed to facilitate this. Similar to the definition of the F_{ft} term in Condition 3.1.3, the term F_t is defined with reference to the proposed new Condition 3.1.8.4 (a) which details how it is to be calculated.²⁵

Condition 3.1.7: Allowed Revenue Determination, Authority Direction and Definitions:

- 3.20 As set out in paragraph 3.16, the proposed introduction of annual year-end reconciliation for the Stranraer Shipper²³ requires a clear differentiation in the PTL licence between the Forecast UC Revenues and Actual UC Revenues. To this end, it is proposed to introduce a new Condition 3.1.8.4 Forecast UC Revenues and Actual UC Revenues²⁶ which specifies these terms. Also, as explained in paragraphs 3.16 and 3.19, the corresponding formula terms are proposed to be defined with respect to that new licence condition. As a

²⁴ See chapter 2 for further details.

²⁵ See chapter 2 for further details.

²⁶ See chapter 2 for further details.

result, a separate definition of the term “*UC Revenues*” in Condition 3.1.7.2 is no longer needed.

- 3.21 We consider that the proposed removal of the definition of the term “UC Revenues” and the provision of more detailed arrangements regarding UC Revenues as part of Condition 3.1.8 Upstream Charges (UC Charges) enhances the consistency within the licence in so far as all key terms relating to the Enduring Stranraer Arrangements are detailed in one place (Condition 3.1.8) rather than being scattered throughout the licence. We are of the view that the proposed change enhances clarity and transparency of the licence drafting.

Condition 3.1.8.8: Upstream Charges (UC Charges), End of Year UC Charges

- 3.22 The new Condition 3.1.8.8 proposed to be introduced into the PTL licence sets out that the Year-End UC Charges will comprise of Year-End UC Commodity and Capacity Charges as well as a UC Overrun Reconciliation Payment. It also sets out how the Year-End UC Commodity and Capacity Charges how these should be calculated.
- 3.23 The condition is structured in a similar way to the equivalent provisions for the Postalised System in Conditions 2A.2.6.1 to 2A.2.6.3 of the licence. The calculation for the Year-End UC Commodity and Capacity Charges is closely aligned with that set out in the proposed new Conditions 3.1.8.2 and 3.1.8.3 with respect to Forecast UC Commodity and Capacity Charges but using actual values.
- 3.24 The calculation of Year-End UC Commodity and Capacity Charges is an additional activity that was not necessary under the legacy Stranraer arrangements. It is however required to facilitate annual year-end reconciliation for the Stranraer Shipper.²³

Condition 3.1.8.9: Upstream Charges (UC Charges), End of Year UC Reconciliation Payment

- 3.25 The new Condition 3.1.8.9 proposed to be introduced into the PTL licence sets out how UC Commodity Reconciliation Payment, UC Capacity Reconciliation Payment, UC Overrun Reconciliation Payment and the resulting Total UR Reconciliation Payment in respect of the Stranraer Shipper shall be calculated.
- 3.26 The formulae follow the same logic as the formulae for the equivalent PS Reconciliation Charges set out in Conditions 2A.1.6.4 and 2A.2.6.5 of the licence.
- 3.27 We note the proposed changes to Condition 2A.2.6.5 (further discussed in

chapter 2) which serve to ensure that the same formula is used for the calculation of the Entry Overrun Charge allocation amount the PS Shippers and the Stranraer Shipper, even if:

- The calculation of the allocation amount for the PS Shippers is covered in Condition 2A.2.6.5;
- The calculation of the allocation amount for the Stranraer Shipper is covered in Condition 3.1.8.9 (c), and TIA_{st} (from Condition 2A.2.6.5) is there being referred to as $TIAUC_t$.

3.28 The calculation of Year-End UC Reconciliation Payments is an additional activity that was not necessary under the legacy Stranraer arrangements. It is however an essential part of facilitating annual year-end reconciliation for the Stranraer Shipper.²³

Condition 3A.1 – Stranraer Interoperator Agreement

3.29 We propose to add new Conditions to PTL’s licence under Condition 3A.1. This condition intends to reinforce the agreement between the Licensee and the Stranraer Shipper. Condition 3A.1.1 outlines the expectations required of the Licensee and notes what the SIA will provide for.

3.30 We propose adding Condition 3A.1.2, this will outline the purpose of the SIA.

3.31 Furthermore, the addition of Condition 3A.1.3 to the licence will outline what the Licensee shall do. In contrast, the addition of Condition 3A.1.4 will outline what the Licensee shall not do as a result of this agreement.

Introduction of Annual Year-End Reconciliation with Respect to the Stranraer Shipper – Summary Discussion

3.32 To date, as part of the tariff setting process, the Forecast UC Revenues are taken into account when establishing the Forecast Revenue Requirements which will need to be recovered through the charging regime. After the end of a Gas Year, the Actual UC Revenues that have been received from the Stranraer Shipper are taken into account when establishing the Actual Revenue Requirements that should have been recovered through the charging regime. Any differences between the Actual Revenue Requirements and the revenues recovered throughout the Gas Year are returned to the PS Shippers (in case of an over-recovery) or recovered from PS Shippers (in case of an under-recovery).

3.33 Not including the Stranraer Shipper in this annual year-end reconciliation means that the Stranraer Shipper does not participate in the associated risks and benefits. For example, in a situation where:

- An under-recovery arises because the Revenue Requirements had been underestimated at forecast stage and/or quantities had been overestimated (i.e., in a world with perfect upfront knowledge the charges, including the UC Charges, would have been higher), the Stranraer Shipper is spared contributions to the difference arising from the charges being too low.
 - An over-recovery arises because the Revenue Requirements had been over-estimated at forecast stage and/or quantities had been underestimated (i.e., in a world with perfect upfront knowledge the charges, including the UC Charges, would have been lower), the Stranraer Shipper does not get compensated for the difference arising from the charges it had paid being too high.
- 3.34 We consider that introducing annual year-end reconciliation with respect to the Stranraer Shipper will further the equitability of treatment of the Stranraer Shipper compared to the PS Shippers. It will also enhance the robustness of the regulatory arrangements.
- 3.35 We recognise that introducing annual year-end reconciliation with respect to the Stranraer Shipper will entail some additional administrative burden for GMO NI, as additional steps will be required as part of the annual year-end reconciliation process. However, we do not consider this to be significant.
- 3.36 We also recognise that introducing annual year-end reconciliation with respect to the Stranraer Shipper will have distributional effects for all the Shippers. GMO NI have analysed what this effect would have been had such reconciliation been applied for the 2022/23 Gas Year.
- 3.37 As the annual year-end reconciliation for GY22/23 resulted in a repayment to Shippers, including the Stranraer Shipper as an additional Shipper would have entailed a repayment reduction for the PS Shippers. However, conversely, in case of a year-end reconciliation resulting in a need for additional contributions from Shippers, including the Stranraer Shipper as an additional Shipper would entail a smaller contribution being required from the PS Shippers.
- 3.38 Data has showed that the impact of applying annual year-end reconciliation for GY22/23 with respect to the Stranraer Shipper would have been different for each of the PS Shippers. It ranges from no impact (for those shippers who had not received a reconciliation repayment) to -1.35% of the repayment received and could thus be seen as limited. We have also examined data for the 19/20 year as a comparison and observed that for this year the impact also ranged from no impact to -2.14% of the repayment received.

4. Oversight of Regulatory and Interoperator Arrangements

Background

- 4.1 In addition to the Stranraer Interoperator Agreement, on which further details have been set out in chapter 2, there are several other interoperator arrangements which cover:
- a) the conveyance of gas through infrastructure that is owned and operated by PTL and GNI (UK), paid for by NI consumers and located outside the physical borders of NI; and/or
 - b) the interconnection with adjacent transmission systems.
- 4.2 These arrangements are typically regulated by the regulatory authority for the jurisdiction in which the infrastructure is physically located (i.e., Ofgem (Office for Gas and Electricity Markets) for GB and the CRU for the Republic of Ireland (ROI)). However, due to the importance of these arrangements for the capacity and volumes of gas that will be available in NI, and the associated security of supply implications, it is important that there should be some regulatory input by the Utility Regulator as well.
- 4.3 One of the arrangements is the Transportation Agreement (TA) between PTL and GNI (UK). It facilitates direct access for NI to the National Balancing Point in GB and underpins PTL's compliance with the CAM NC². In 2016, Condition 2.4C Gas Transportation Agreement was introduced into the PTL licence.²⁷ It requires PTL to:
- a) Review the TA from time to time;
 - b) Submit amendments to the Authority for approval; and
 - c) Comply with any direction issued by the Authority.
- 4.4 Other interoperator agreements which, similar to the Transportation Agreement, include:
- The Tripartite Agreement between National Gas Transmission, GNI (UK) and PTL which records arrangements between the operators in respect of the Moffat Interconnection Point.
 - The Gormanston Interconnection Agreement (IA) between GNI (UK)

²⁷ See [Utility Regulator: Modifications to Gas Conveyance Licences to Ensure European Compliance, 3 March 2016](#) (Consultation Paper) and [Utility Regulator: Modifications to Gas Conveyance Licences to Ensure European Compliance, Decision Paper](#), 16 April 2016.

Limited and Gas Networks Ireland (GNI) which provides for Transportation Arrangements relating to:

- ◆ Physical flows between the GNI system and the GNI (UK) system at the South North Interconnection Point; and for
- ◆ Virtual Reverse flow from the GNI (UK) system to the GNI system at the Gormanston Interconnection Point.

- 4.5 Both agreements contain provisions that set out an approval role for the Authority in case of changes to the agreements and with respect to termination in certain circumstances. This approval role is not currently reflected in the PTL and GNI (UK) gas conveyance licences. We consider this should be addressed given the importance of the arrangements, and the fact that the Authority is not party to the arrangements which set out its approval role.
- 4.6 In a similar way to the Tripartite and Gormanston Interconnection Agreement, the OS Scheme and CMP Methodology Statement also underpins compliance with relevant legislation. It relates to the implementation of Congestion Management Procedures at Interconnection Points and sets out the procedures the Transporter will apply when implementing other congestion management procedures, as contemplated by the NI Network Gas Transmission Code. The document also sets out an approval role for the Authority in certain circumstances (commencement of operation of the OS Scheme in advance of the Activation Test being passed, withdrawal of capacity), which is not currently reflected in the four high pressure gas conveyance licences. We consider that this should be addressed as well.
- 4.7 Finally, the Interim Arrangements Agreement for the South-North Pipeline between GNI (UK) Limited and Gas Networks Ireland is a more recent interoperator arrangement. It has been put in place in 2020 to facilitate long-term access by GNI to the capacity in the section of the South-North Pipeline (SNP, owned and operated by GNI (UK)) which is physically located in the ROI (South Section) for an offtake from the SNP at Haynestown (near Dundalk). The arrangement will be replaced in due course by the Use of System Agreement between GNI (UK) and Gas Networks Ireland, once all of the enduring terms have been agreed.
- 4.8 The Interim Arrangements Agreement and the Use of System Agreement set out a role in certain circumstances (e.g., variation of agreement, requests for additional capacity under the agreement, termination, assignment, and novation of agreement) for any Regulatory Authority which/as is legally required. At this stage, no such role is reflected in the GNI (UK) NI licence,

which means that the Authority has no oversight over the Agreements. Engagement with the Authority is foreseen with respect to the extension of the Use of System Agreement, but this is also not reflected in the GNI (UK) NI licence. We consider this should be addressed to reflect the relevance of these arrangements for consumers in NI (both from a security of supply and charging perspective) and ensure consistency within the regulatory framework with respect to the treatment of interoperator arrangements.

- 4.9 Both the Stranraer Interoperator Agreement and the Transportation Agreement fulfil similar roles to the Haynestown Interim Arrangements Agreement/Use of System Agreement in that they enable the long-term reservation of capacity in infrastructure physically located in other jurisdictions. We consider that this should be reflected in similar levels of regulatory oversight, whilst at the same time recognising the specifics of each arrangement.
- 4.10 In this consultation document, we are proposing modifications to the GNI (UK) licence to reflect the Haynestown arrangements in a fair and equitable manner. These are outlined below.

Proposed Licence Modifications

Condition 2.4E: Tripartite Agreement:

- 4.11 We propose to introduce a new Condition 2.4E into the PTL licence as set follows:

Condition 2.4E: Moffat Tripartite Agreement

- 2.4E.1 This Condition applies where the Licensee is a party to the Moffat Tripartite Agreement.
- 2.4E.2 Where this Condition applies the Licensee shall take such steps and do such things as are within its power to:
- (a) review, from time to time and in conjunction with any other person that is a party to it, the Moffat Tripartite Agreement with a view to determining, taking into account the operation of the agreement and the Licensee's obligations under the Licence, whether any amendment should be made to it;

- (b) amend the Moffat Tripartite Agreement as may from time to time be required to reflect the outcome of a review conducted pursuant to paragraph 2.4E.2 (a); and
- (c) ensure that it does not amend, or agree to amend, the Moffat Tripartite Agreement unless:
 - (i) the proposed amendment has first been submitted to the Authority by the Licensee, where applicable together with the results of any consultation on the proposed amendment; and
 - (ii) the Authority has given its approval to the proposed amendment.

2.4E.3 The Licensee shall not terminate, or agree to terminate, the Moffat Tripartite Agreement unless it has obtained prior written approval from the Authority to do so.

2.4E.4 In this Condition:

Moffat Tripartite Agreement	<p>means:</p> <ul style="list-style-type: none"> (a) the tripartite agreement originally made on 29 September 2015 between National Grid Gas plc, GNI (UK) Limited, and Premier Transmission Limited covering arrangements for capacity allocation and bundling, nomination flows and allocation of gas flow quantities for the Moffat Interconnection Point, as amended, restated and/or supplemented by any other agreement from time to time; and/or (b) any agreement which, whether in consequence of the termination of the
------------------------------------	---

	<p>agreement referred to in paragraph (a) or otherwise, is or is proposed to:</p> <ul style="list-style-type: none"> (i) be entered into between all of the parties to the agreement referred to in paragraph (a); and (ii) include provisions which concern or relate to the same subject matter as the provisions in the agreement referred to in paragraph (a).
--	--

4.12 We furthermore propose to include into the BGTL, WTL and GNI (UK) licences the following wording:

“Condition 2.4E: Not used”.

Condition 2.4F: Interconnection Agreement for the Interconnection Point at Gormanston:

4.13 We propose to introduce a new Condition 2.4F into the GNI (UK) licence as follows:

Condition 2.4F Interconnection Agreement for the Interconnection Point at Gormanston

2.4F.1 This Condition applies where the Licensee is a party to the Gormanston Interconnection Agreement.

2.4F.2 Where this Condition applies the Licensee shall take such steps and do such things as are within its power to:

- (a) review, from time to time and in conjunction with any other person that is a party to it, the Gormanston Interconnection Agreement with a view to determining, taking into account the operation of the Gormanston Interconnection Agreement and

the Licensee's obligations under this Licence, whether any amendment should be made to it;

- (b) amend the Gormanston Interconnection Agreement as may from time to time be required to reflect the outcome of a review conducted pursuant to paragraph 2.4F.2 (a); and
- (c) ensure that it does not amend, or agree to amend, the Gormanston Interconnection Agreement unless:
 - (i) the proposed amendment has first been submitted to the Authority by the Licensee, where applicable together with the results of any consultation on the proposed amendment; and
 - (ii) the Authority has given its approval to the proposed amendment.

2.4F.3 The Licensee shall not terminate, or agree to terminate, the Gormanston Interconnection Agreement unless

- (a) it has obtained prior written approval from the Authority to do so; or
- (b) the Authority has waived the requirement for approval under Condition 2.4F.2 (a) expressly in writing; or
- (c) for any other person that is a party to the Gormanston Interconnection Agreement:
 - (i) a Receiver, Examiner or Administrator is appointed of the whole or any part of that other party's assets; or
 - (ii) that other Party is struck off the Register of Companies in the jurisdiction here it is incorporated or an order is made or a resolution is passed for winding up the other Party (unless such order or resolution is part of a voluntary scheme for the reconstruction or

amalgamation of the Party as a solvent corporation and the resulting corporation, if a different legal Person, undertakes to be bound by the Agreement); or

- (iii) anything analogous to the circumstances set out in Condition 2.4F.3 (c) (i) or (ii) occurs in any applicable jurisdiction.

2.4F.4 In this Condition:

Gormanston Interconnection Agreement	<p>means:</p> <p>(a) the Interconnection Agreement for the Interconnection Point at Gormanston known as the South-North Interconnection Point made on 29 April 2016 between GNI (UK) Limited and Gas Networks Ireland, as amended or supplemented by any other agreements from time to time; and/or</p> <p>(b) any agreement which, whether in consequence of the termination of the agreement referred to in paragraph (a) or otherwise, is or is proposed to:</p> <p>(i) be entered into between all of the parties to the agreement referred to in paragraph (a); and</p> <p>(ii) include provisions which concern or relate to the same subject matter as the provisions in the agreement referred to in paragraph (a).</p>
--------------------------------------	---

Conditions 2A.2.1.11, 2A.2.1.12, 2A.2.1.13, 2A.2.1.17, 2A.2.1.18, 2A.2.1.19, 2A.2.1.21 and 2A.2.1.22: Postalisation Charges (OS Scheme and CMP Methodology Statement) and Condition 2A.1.1 Interpretation and Construction:

4.14 We propose to add, in Condition 2A.1.1 of all four high pressure gas

conveyance licences, the following definitions and to insert them into the table of definitions according to alphabetical order:

“Activation Test”	means the test set out in the CMP Methodology Statement for assessing and determining whether there is contractual congestion in respect of an Interconnection Point;
“CMP Methodology Statement”	means the document required to be prepared in accordance with Condition 2A.2.1.12 setting out the Designated Pipe-line Operators' arrangements for implementing Congestion Management Procedures;
"Congestion Management Procedures"	means procedures in relation to: (a) the surrender, by any person, of capacity held by them in respect of any IP Entry Point; (b) the monitoring of utilisation of capacity, in relation to any IP Entry Point, for the purposes of assessing whether it is necessary to apply the: (i) Long Term Use or Lose it Rules; and/or (ii) Firm Day Ahead Use it or Lose it Rules;
“Firm Day Ahead Use it or Lose it Rules”	means the requirements of point 2.2.3 of Annex 1 to Regulation (EC) No. 715/2009 (as amended);
"GB Uniform Network Code"	means the uniform network code prepared pursuant to standard special condition A11 of the gas transporter licences granted or treated as granted under section 7 of the Gas Act 1986;

"HP Conveyance Licensee" has the meaning given to it in Condition 2.17 (Single System Operation Arrangements) of the Licence;

"Long Term Use it or Lose it Rules" means the requirements of point 2.2.5 of Annex 1 to Regulation (EC) No. 715/2009 (as amended);

4.15 We furthermore propose, in Condition 2A.2.1.11 of all four high pressure gas conveyance licences to amend the title 'Capacity increase through oversubscription and buy back scheme,' so that it includes the words 'and congestion management,' at the end. In addition, we propose including the following drafting for all four high pressure gas conveyance licences at Condition 2A,2.1.11.

The Licensee shall, in co-operation and conjunction with every other Designated Pipe-line Operator, and following consultation with such interested parties as the Licensee considers likely to be affected by no later than 12 December 2013 prepare and submit for approval to the Authority arrangements for the Oversubscription and Buy-Back of capacity, to be known as the OS Scheme.

4.16 In addition, we propose to replace, in condition 2A.2.1.12 the term "by no later than 12 December 2013 prepare and submit for approval to the Authority arrangements for the Oversubscription and Buy Back of capacity, to be known as the OS Scheme" with "prepare and submit to the Authority for approval, arrangements for implementing Congestion Management Procedures (the **CMP Methodology Statement**)."

4.17 We also propose to add in Condition 2A.2.1.13, after each of the two occurrences of the term "OS Scheme", the words "and/or the CMP Methodology Statement".

4.18 We propose to amend the wording in Condition 2A.2.1.17 removing "13" in "Condition 2A.2.1.13" and replacing it with "14", also replacing the "15" in "2A.2.1.15" with "16".

4.19 We also propose to amend Condition 2A.2.1.18 of all four gas high pressure licences as follows:

- Insert a colon after the words "the Licensee shall."
- Number "not allocate OS Capacity (or purchase any Buy-Back Capacity) other than in accordance and in compliance with the OS Scheme and the Network Code" into paragraph (a) and add a

semicolon at the end.

- Add new paragraphs (b) to (d) as follows:
 - “(b) not apply the Congestion Management Procedures other than in accordance and in compliance with the CMP Methodology Statement and the Network Code;
 - (c) in accordance and in compliance with the OS Scheme, the CMP Methodology Statement, and the Network Code, from time to time carry out an Activation Test to determine whether there is contractual congestion at an Interconnection Point and publish the findings of each Activation Test carried out by it in a manner that will bring it to the attention of interested parties;
 - (d) ensure that it does not activate any or all of the mechanisms set out in the OS Scheme and CMP Methodology Statement for an Interconnection Point until either:
 - (i) the Activation Test for that Interconnection Point has been passed; or
 - (ii) where the Activation Test for that Interconnection Point has not yet been passed, without the prior approval of the Authority.”

4.20 In addition, we propose to add, in condition 2A.2.1.19:

- In paragraph (a) after “OS Scheme (including the OS Charging Statement)”; the words, ‘or the CMP Methodology Statement.’
- In paragraphs (b) after the term “OS Scheme”;
the words “and/or the CMP Methodology Statement”.
- In paragraph (c) after the term “OS Scheme”;
the words “and the CMP Methodology Statement”.

4.21 We propose a minor amendment to all four high pressure gas conveyance licences to condition 2A.2.1.20 to amend ... “Conditions 2A.2.1.7 (a) and (b)” to become “Condition 2.A.2.1.7.”

4.22 We also propose to include in all four high pressure gas conveyance licences a new Condition 2A.2.1.22 as follows:

“2A.2.1.22 The Licensee shall:

- (a) Comply with the CMP Methodology Statement;
- (b) Comply with a direction issued to it by the Authority under this paragraph to apply or cease (as the case may be) the Firm Day Ahead Use it or Lose it Rules and / or mechanisms as set out in the CMP Methodology Statement;
- (c) Following activation of the mechanisms set out in the CMP Methodology Statement in accordance with Condition 2A.2.1.18 (d):
 - (i) Submit to the Authority by 30th April and 31st October of each Year the monitoring report prepared by it under and in accordance with CMP Methodology Statement on the demand for and utilisation of capacity (together with the underlying data used in preparing the report);
 - (ii) notify the Authority, as soon as reasonably practicable, of any proposed withdrawal of capacity from a Shipper pursuant to the Long Term Use it or Lose it rules and mechanisms and specifying:
 - (A) the Shipper from whom the capacity is proposed to be withdrawn;
 - (B) the amount of capacity proposed to be withdrawn;
and
 - (C) the period for which the capacity is proposed to be withdrawn; and
 - (iii) where pursuant to any provision in the CMP Methodology Statement, the Licensee or a Shipper from whom capacity is proposed to be withdrawn refers any question relating to the proposed decision to the Authority for determination, comply with the Authority's determination.

General:

- 4.23 The proposed modifications are set out in detail in Annexes A to D.

Reasons and Effects

Condition 2.4E: Moffat Tripartite Agreement:

- 4.24 The new proposed Condition 2.4E for the PTL licence is designed to embed the licence the powers for the Authority which are already reflected in the Moffat Tripartite Agreement. This includes an obligation to:
- a) Review the Moffat Tripartite Agreement from time to time;
 - b) Submit amendments to the Authority for approval; and
 - c) Seek Authority approval prior to terminating/agreeing to terminate the agreement.
- 4.25 The indication in the BGTL, WTL and GNI (UK) licences that Condition 2.4E is not used there is proposed to be added for clarity and consistency with licence drafting. The same approach has e.g., been used with Condition 2.4C Gas Transportation Agreement.
- 4.26 The wording of proposed Condition 2.4E has, also in the interest of consistency, been based on that of Condition 2.4C and amended as appropriate to reflect the specifics of the Tripartite Agreement.
- 4.27 The role set out for the Authority in proposed 2.4E is in line with that already embedded in the Tripartite Agreement, and the proposed licence modifications could thus be seen as a consequential change. Including this role, and PTL's obligations with respect to the Tripartite Agreement, in the licence will enhance the robustness of the arrangements as well as clarity and transparency.
- 4.28 We do not consider that the proposed modifications will increase the regulatory burden for PTL as the licence modifications reflect arrangements it is already bound by under the Tripartite Agreement.

Condition 2.4F: Interconnection Agreement for the Interconnection Point at Gormanston:

- 4.29 The new proposed Condition 2.4F is designed to embed in the GNI (UK) licence the powers for the Authority which are already reflected in the Gormanston IA. This includes an obligation to:
- a) Review the Gormanston IA from time to time;

- b) Submit amendments to the Authority for approval; and
- c) Seek Authority approval prior to terminating/agreeing to terminate the agreement.
- 4.30 The indication in the BGTL, PTL and WTL licences that Condition 2.4F is not used is proposed to be added for clarity and consistency with licence drafting. The same approach has e.g., been used with Condition 2.4C Gas Transportation Agreement.
- 4.31 The wording of proposed Condition 2.4F has, also in the interest of consistency, been based on that of existing Condition 2.4C/proposed Condition 2.4E and amended as appropriate to reflect the specifics of the Gormanston IA.
- 4.32 The role set out for the Authority as proposed in condition 2.4F is in line with that already embedded in the Interconnection Agreement, and the proposed licence modifications could thus be seen as a consequential change. Including this role, and GNI (UK)'s obligations with respect to the Gormanston IA, in the licence will enhance the robustness of the arrangements as well as clarity and transparency.
- 4.33 We do not consider that the proposed modifications will increase the regulatory burden for GNI (UK) as the licence modifications reflect arrangements it is already bound by under the Gormanston IA.
- Conditions 2A.2.1.11, 2A.2.1.12, 2A.2.1.13, 2A.2.1.14, 2A.2.1.15, 2A.2.1.16, 2A.2.1.17, 2A.2.1.18, 2A.2.1.19, 2A.2.1.20 and 2A.2.1.21, 2A.2.1.22: Postalisation Charges (OS Scheme and CMP Methodology Statement) and Condition 2A.1.1 Interpretation and Construction:
- 4.34 The proposed modifications to Conditions 2A.2.1.11, 2A.2.1.12, 2A.2.1.13, 2A.2.1.14, 2A.2.1.15, 2A.2.1.16, 2A.2.1.17, 2A.2.1.18, 2A.2.1.19, 2A.2.1.20 and 2A.2.1.21, 2A.2.1.22 introduce into the licence the CMP Methodology Statement. It is defined in a similar way to the definition of the OS Scheme already contained in the licences. It is also proposed to be subject to the same provisions with respect to publication, modification and Authority direction in case of non-approval as the OS Scheme. Similarities also extend to the proposed need for OS/ Buyback mechanisms and CMP mechanisms to be applied in accordance with the NI Network Gas Transmission Code and the OS Scheme.
- 4.35 Given that OS Scheme and CMP Methodology⁶ are already in place, and form part of the same document, we consider that these proposals do not place additional burden on the licence holder.
- 4.36 It is recognised that the proposed arrangements also include additional

obligations on the licence holder, in particular:

- To undertake an Activation Test from time to time to determine if contractual congestion applies;
- To not commence operation of the OS Scheme in advance of the Activation Test being passed without prior approval by the Authority;
- To provide congestion monitoring reports to the Authority once the CMP mechanisms have been activated;
- To comply with a direction from the Authority to apply or terminate a Firm Day Ahead Use it or Lose it mechanism in line with the CMP Methodology Statement;
- To inform the Authority of an intended withdrawal of capacity under a Long Term Use it or Lose it mechanism; and
- Where in the case of a proposed capacity withdrawal under a Long Term Use it or Lose it mechanism the question whether the underutilisation for such capacity has been properly justified is referred to the Authority, to comply with a related determination by the Authority.

4.37 These obligations on the Licensee, and the related approval/determination role set out for the Authority are not new. They are already contained in other legislative and regulatory arrangements (OS Scheme and Methodology Statement, NI Network Gas Transmission Code). As such, the proposed modifications could be seen as a consequential change which will enhance the robustness of the arrangements as well as clarity and transparency.

4.38 We note that the proposed introduction of definitions for the terms “Activation Test”, “CMP Methodology Statement”, “Firm Day Ahead Use it or Lose it” and “Long Term Use it or Lose it” is consequential to the use of these terms in Conditions 2A.2.1.11, 2A.2.1.12, 2A.2.1.13, 2A.2.1.14, 2A.2.1.15, 2A.2.1.16, 2A.2.1.17, 2A.2.1.18, 2A.2.1.19, 2A.2.1.20 and 2A.2.1.21, 2A.2.1.22. It is designed to enhance clarity and transparency of the licence drafting.

5. Licence Tidy-up

Background

- 5.1 This chapter sets out several tidy-up licence modifications designed to remove certain provisions from the licence that are no longer required and to address drafting inaccuracies in all four high pressure gas conveyance licences.
- 5.2 Licence drafting matters covered in this chapter have been identified as part of the preparatory work on the licence modifications discussed in chapters 2 to 4, but are not directly driven by the Enduring Stranraer Arrangements, the proposed introduction of annual year-end reconciliation for the Stranraer Shipper or the enhancement of oversight over regulatory and interoperator arrangements.
- 5.3 As part of our review of Gas licences generally, we are taking the opportunity to update addresses of relevant organisations including the Department, Utility Regulator and gas companies. We are also modernising communications mechanisms to remove the requirement for faxing since this is an outdated communication mode. These proposed modifications on the HP licences are similar to the ones which will be proposed for distribution licences. The proposed modifications are outlined below.
- 5.4 Some of the licence modifications discussed in this chapter relate to conditions that are specific to individual licences, others to conditions that are aligned across all four high pressure gas conveyance licences and should, if modified, be modified concurrently.

Proposed Licence Modifications

Condition 1.1.6: Interpretation and Construction – Definition:

- 5.5 Under the definition of ‘Network Code,’ we propose to replace the word “document” with “Single Network Code”, removing “by the Licensee” and adding after the word “under” the wording “and in accordance with”, amending the condition from “2.4.2” to 2.4D in all licences.

Condition 1.1.9: Interpretation and Construction – Application:

- 5.6 We propose to add in Condition 1.1.9 of the PTL licence, after “The Conditions shall only apply to the activities of the Licensee carried out in Northern Ireland”, the words “except where otherwise expressly specified”.

Condition 1.21: Regulatory Instructions and Guidance:

- 5.7 We propose to add in Condition 1.21.1(b) of all four high pressure gas conveyance licences the word “in” between “to enable it to administer the Price Control Conditions” and “Part”.
- 5.8 We propose furthermore that in Condition 1.21.1(b) of the WTL licence, the reference to “Part 4” is changed to “Part 6”.
- 5.9 In addition, in Condition 1.21.7 the definition of the term “Price Control Conditions” should be amended to:
- a) Refer to “Condition 3.1” instead of “condition 3.1.6” in the BGTL and PTL licences.
 - b) Refer to “Part 6” instead of “condition 4.5 and 4.7” in the WTL licence.

Condition 2.2: Conveyance Charges, Other Terms for the Conveyance of Gas and the Provision of Conveyance Services – Reference to CER

- 5.10 We propose to replace in Condition 2.2.16 (a) (ii) of the GNI (UK) licence the two references to “CER” with “CRU”.
- 5.11 We furthermore propose to replace, in Condition 2.2.19 of the GNI (UK) licence in the definition of the term “CER” with “CRU” and the expression “Commission for Energy Regulation” with “Commission for Regulation of Utilities”, and to move that definition down within the table so that the alphabetical order of the definitions table is maintained.
- 5.12 We also propose to correct the spelling from “Conveyence” to “Conveyance” under the definition of “Postalisation Adjustment” in Condition 2.2.19 of the GNI (UK) licence.

Condition 2.3.16: No obligation to connect premises (c) (i):

- 5.13 We propose to amend the condition from “2.4.1” to “2.4D.2.”

Condition 2.17.3 (b): Single System Operation Arrangements – Arrangements for Single System Operation:

- 5.14 We propose to add “D” to the term “Condition 2.4” before “which sets out.”

Condition 2.17.13: Single System Operation Arrangements – Single Network Code

- 5.15 We propose to add “D” to the term “Condition 2.4” before “of the Licence.”

Condition 2.17.17: Single System Operation Arrangements – Interpretation and Definitions

- 5.16 We propose to add to the “Single Network Code” definition “D.1(a) of Condition 2.4D of the Licence” after “2.4.”

- 5.17 We propose to add to the “User” definition “D.14 of Condition 2.4D of the Licence” after “2.4.”

Condition 2.4C: Gas Transportation Agreement:

- 5.18 We propose to change in the consolidated version of the PTL licence the number of the part of Condition 2.4C that sets out the definitions from 2.4C.2 to 2.4C.3.

- 5.19 We furthermore propose to remove in Condition 2.4C of the consolidated version of the PTL licence in the definition of the term “Gas Transportation Agreement” the duplicate wording: “any agreement which, whether in consequence of the expiry or termination of the agreement referred to in paragraph (a) or otherwise, is or is proposed to:”

Condition 2A.2.1.9: Postalisation Charges (Gas Transmission Charging Methodology Statement)

- 5.20 We propose to add in Condition 2A.2.1.9 of all four high pressure gas conveyance licences the word “Entry” in front of the expression “Overrun Charges”.

Conditions 2A.2.2.3, 2A.2.6.1, 2A.2.6.2, 2A.2.6.6: Postalisation Charges (Supplemental Payment), Condition 2A.1.1 Interpretation and Construction, Condition 3.1.9 Supplemental Payment and Consequential Changes:

- 5.21 We propose the following changes to Condition 2A.2. of all four high pressure gas conveyance licenses:

- Remove from Condition 2A.2.2.3 the following words: “charge to such Gas Supplier any Supplemental Payment and”
- Remove from Condition 2A.2.6.1 the last sentence: “In addition, where one or more Gas Suppliers is or are subject to a commitment to make a Supplemental Payment the Licensee shall comply with Condition 2A.2.6.6.”
- Remove in Condition 2A.2.6.2, the formula for the calculation of the Year-End Postalised Exit Commodity Charge for Gas Year_t, replacing the formula with:

$$YEPComC_t = \frac{(PSARR_t - T_t) * Commodity Percentage}{(PS Annual Exit Quantity_t)}$$

- Remove Condition 2A.2.6.6.

- 5.22 We also propose, in Condition 2A.1.1 of all four high pressure gas

conveyance licences, to:

- Amend the definition of the term “PS Transmission Payments” by:
 - ◆ Removing the word “and” before “2A.2.6.4 (Reconciliation Payments).”
 - ◆ Removing the words “and 2A.2.6.6 (Supplemental Payments).”
- Remove the definition of the term “Supplemental Payment.”

5.23 In addition, we propose to remove Condition 3.1.9 from the PTL licence and state ‘Condition 3.1.9 not used’ in the Licence drafting.

Condition 2A.2.2.5: Postalisation Charges (Transit Point reference) and Condition 2A.1.1 Interpretation and Construction

5.24 We propose to remove Condition 2A.2.2.5 from all four high pressure gas conveyance licences.

5.25 We furthermore propose to make, in all four high pressure gas conveyance licences, the following changes to the definitions set out in Condition 2A.1.1:

- In the definition of “Exit Point” remove “is not a Transit Point and which”;
- Remove the definition for the term “Supplemental Payment”.
- Remove the definition for the terms “Transit”, “Transiting”;
- Remove the definition for the term “Transit Point”.
- Add the term “Interconnection Point” with the definition of: “has the meaning given to it in the Network Code;”
- In the definition for “PS Transmission Payments” remove “and” after “2A.3.4 (Debt Payments);” add the word “and” after “2A.2.6.4 (Reconciliation Payments);” and remove “and 2A.2.6.6 (Supplemental Payments)” prior to the term “under each Designated Pipe-Line Operator’s Respective Licence;”

Condition 2A.2.5.5 Postalisation Charges, Forecast Postalised Charges, Total Monthly Invoices to Shippers

5.26 We propose to change, in all four high pressure gas conveyance licences, the formula for the calculation of the total invoice amount for Gas Supplier “s” in month “m” of year “t” (TIA_{smt}) in paragraph b) of Condition 2A.2.5.5 by removing the expression “ $x (1 + VAT)$ ” and adding the term “+ VAT” at the

end.

$$TIA_{smt} = (TMGC_{smt}) \times (1 + VAT) + T_{smt} + D_{smt} + AUX_{smt} + ORC_{smt} + ERC_{smt} + VAT$$

Condition 3.1.4: Allowed Revenue Determination, Actual Required Revenue, Condition 3.1.7: Allowed Revenue Determination, Authority Direction and Definitions:

5.27 We propose to amend Condition 3.1.4 of the PTL and BGTL licences as well as the equivalent Condition 6.4.2 of the WTL licence as follows:

- In paragraph a), change “(ARR_t)”²⁸ (or, in the case of the WTL licence, “ARR_t”) to “(ARRL_t)” and add, at the end of the paragraph between the expression “Gas Year” and the full stop “t”
- In paragraph (b), replace in the formula the term “ARR” with “ARRL_t”

5.28 We furthermore propose to replace, in the definition of the term “Postalisation Adjustment” in Condition 3.1.7.2 of the PTL and BGTL licences the term “ARR_{t-2}” with “ARRL_{t-2}”, both in the formula and the definitions section.

5.29 We also propose to replace, in the corresponding Condition 6.6.1 Postalisation Adjustment of the WTL licence the term “ARR_{t-2}” with “ARRL_{t-2}”, both in the formula and the definitions section.

5.30 In addition, we propose to delete the term UC Revenues from condition 3.1.7.2.

5.31 Update of relevant organisation titles and addresses and update of communications mechanisms.

We are updating communications mechanisms and organisational names and addresses of relevant organisations, where appropriate for all HP licences.

5.32 1.1.6 Definitions

We are proposing to update the Authority’s name in the PTL licence only as follows:

“Authority” means the Northern Ireland Authority for Energy Utility Regulation;

We are proposing to update the Department for the Economy’s name in all

²⁸ The letters ARR stand for Actual Required Revenue.

licences as follows:

“Department” means the Department of Enterprise, Trade and Investment for the Economy;

For GNI only, we are amending the licensee definition within 1.1.6 Definitions as follows:

“Licensee” means ~~BGE~~ GNI (UK) Ltd. Or, in the event of a general assignment of the Licence in accordance with Condition 1.10, the assignee of the Licence.

5.33 Section 1- Grant of the Licence

We are taking this opportunity to correct the company registration numbers in section 1 relating to the Grant of the Licence, of the PTL and BGTL licences only, as they are currently incorrect and do not reflect the company registration number. This will amend the PTL company number to: NI026421 as opposed to NI126421 as it is currently in the licence. The amendment to the BGTL licence will result in amending the company number to: NI026420 as opposed to NI26420 as it is currently in the licence.

5.34 We are updating the communication methods in this condition for all four licences as it has become out of date and does not reflect modern communication methods. The drafting will include an explanation for written, public communications and electronic communications.

5.35 It is proposed that Condition 1.14 will be drafted similarly for all four licences, but tailored for their specific company addresses in the Licensee category. The proposed drafting for all four HP licences is shown below.

5.36 For BGTL, proposed drafting is as follows:

Condition 1.14: Notices

Notices

All notices to be given under any Condition shall be given 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:

The following section is customised for each licensee. For the BGTL licence, the drafting will be as follows:

Licensee: Belfast Gas Transmission Limited ~~Phoenix Natural Gas Limited~~
First Floor,
The Arena Building,
85 Ormeau Road,
Belfast, BT7 1SH

Authority: Northern Ireland Authority for Utility Regulation
Queens House,
~~46—18~~ 14 Queen Street,
Belfast, BT1 6ED

~~Facsimile Telephone Number (02890) 311740~~

Department: ~~Department of Enterprise, Trade and Investment~~ for the Economy,

~~Energy Division Group,~~
Adelaide House,
39/49 Adelaide Street,
Belfast, BT2 8FD
~~Netherleigh House,~~
~~Massey Avenue,~~
~~Belfast, BT4 2JP~~

~~Facsimile Telephone Number (02890) 529549~~

Writing includes writing sent or received by Electronic Communication

Electronic Communication means a message comprising text that:

(a) is sent over a Public Electronic Communications Network;

(b) can be stored in that network or in the recipient's terminal equipment until it is collected by the recipient; and

(c) is in a particular form and is used for a particular purpose and the recipient of it has expressed a willingness, to the sender, to receive it in that form and for that purpose.

Public Electronic Communications Network has the meaning given in section 151 of the Communications Act 2003

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;

(iii) at the time of receipt, if sent by Electronic Communication. ~~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.~~

5.37 For the PTL licence, the drafting will be as follows:

Condition 1.14: Notices

1.14.1 Notices

All notices to be given under any Condition shall be given in ~~W~~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: Premier Transmission Limited (~~C/O Arthur Cox~~)
Capital House
~~3 Upper Queen Street~~
Belfast
~~BT1 6PU~~

First Floor,

The Arena Building,

85 Ormeau Road,

Belfast, BT7 1SH

Authority: Northern Ireland Authority for ~~Energy~~ Utility Regulation
Queens House,

14 Queen Street,
Belfast, BT1 6ED

~~Brookmount Buildings,~~
~~42 Fountain Street,~~
~~Belfast, BT1 5EE~~

~~Facsimile Telephone Number (02890) 311740~~

Department: Department for the Economy of ~~Enterprise, Trade and~~
~~Investment,~~

Energy Group Division,
Netherleigh House,
Massey Avenue,
Belfast, BT4 2JP

~~Facsimile Telephone Number (02890) 529549~~

Adelaide House,
39/49 Adelaide Street,
Belfast, BT2 8FD

Writing includes writing sent or received by Electronic Communication

Electronic Communication means a message comprising text that:

(a) is sent over a Public Electronic Communications Network;

(b) can be stored in that network or in the recipient's terminal equipment until it is collected by the recipient; and

(c) is in a particular form and is used for a particular purpose and the recipient of it has expressed a willingness, to the sender, to receive it in that form and for that purpose.

Public Electronic Communications Network has the meaning given in section 151 of the Communications Act 2003.

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 sent by Electronic Communication. ~~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.~~

5.38 WTL's proposed licence modifications are as follows in relation to section 1.14 Notices:

1.14.1 Notices

All notices to be given under any Condition shall be given in writing ~~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: ~~Northern Ireland Energy Holdings~~ West Transmission Limited,
First Floor,

The Arena Building,
85 Ormeau Road,
Belfast, BT7 1SH

Authority: Northern Ireland Authority for Utility Regulation,
Queens House,
14 Queen Street,
Belfast, BT1 6ED
Facsimile Telephone Number (02890) 311575

Department: ~~Department of Enterprise, Trade and Investment for the Economy,~~
~~Energy Division Group,~~
~~Netherleigh House,~~
~~Massey Avenue,~~
~~Belfast, BT4 2JP~~
~~Facsimile Telephone Number (02890) 529549~~
Adelaide House,
39/49 Adelaide Street,
Belfast, BT2 8FD

Writing includes writing sent or received by Electronic Communication

Electronic Communication means a message comprising text that:

(a) is sent over a Public Electronic Communications Network;

(b) can be stored in that network or in the recipient's terminal equipment until it is collected by the recipient; and

(c) is in a particular form and is used for a particular purpose and the recipient of it has expressed a willingness, to the sender, to receive it in that form and for that purpose.

Public Electronic Communications Network has the meaning given in section 151 of the Communications Act 2003.

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;
- (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~~ if sent by Electronic Communication.

5.39 For GNI, it is proposed that the modifications will appear as:

Condition 1.14: Notices

1.14.1 Notices

All notices to be given under any Condition shall be given in writing 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: ~~BGE~~ GNI (UK) Ltd.

Gasworks Road

Cork

Republic of Ireland

~~Facsimile Telephone Number +353 21 453 4387~~

Authority: Northern Ireland Authority for Utility Regulation,

Queens House,

14 Queen Street,

Belfast, BT1 6ED

~~Facsimile Telephone Number (02890) 311740~~

Department: Department of Enterprise, Trade and Investment for the
Economy Energy Division Group,

~~Netherleigh House,~~

~~Massey Avenue,~~

~~Belfast, BT4 2JP~~

~~Facsimile Telephone Number (02890) 529549]~~

Adelaide House,

39/49 Adelaide Street,

Belfast, BT2 8FD

Writing includes writing sent or received by Electronic Communication.

Electronic Communication means a message comprising text that:

(a) is sent over a Public Electronic Communications Network;

(b) can be stored in that network or in the recipient's terminal equipment until it is collected by the recipient; and

(c) is in a particular form and is used for a particular purpose and the recipient of it has expressed a willingness, to the sender, to receive it in that form and for that purpose.

Public Electronic Communications Network has the meaning given in section 151 of the Communications Act 2003.

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 seen as reasonably practicable~~ sent by Electronic Communication.

For GNI only, we are amending licence references to the Commission for Energy Regulation to its new term Commission for Regulation of Utilities (CRU) in two places in condition 2.2.16 a (ii) as follows:

2.2.16 Supplemental Income

(a) The Licensee shall, on a good faith basis use its reasonable endeavours to maximise the Supplemental Income provided that:

- (i) it is acknowledged that the primary purpose of the South North Pipeline is to transport gas to the Northern Ireland transmission system; and
- (ii) the amount of such income receivable in respect of any part of the Licensee's pipeline(s) located in the Republic of Ireland and connected to the South North Pipeline, and any spurs thereto located in the Republic of Ireland, shall be consistent with directions issued from time to time by the ~~CER~~ CRU as per the terms of the Licensee's ~~CER~~ CRU transmission licence and following consultation with the Authority.

In 2.2.19 of GNI's licence glossary, we are proposing to update the CER terminology to the CRU as follows:

<p>"CER" "CRU" or "Commission"</p>	<p>means the Commission for Energy Regulation established pursuant to Section 8 of the Electricity Regulation Act, 1999, <u>now known as the Commission for Regulation of Utilities</u>;</p>
---	--

General:

5.40 The proposed modifications are set out in detail in Annexes A to D.

Reasons and Effects

- 5.41 Many of the proposed amendments mentioned in this section are minor in nature and correct references to conditions which may have changed, update communication methods and organisational names to modern practices and current names and addresses. However, they ensure the licence is up to date and reflects current practices and organisational particulars.

Condition 1.1.9: Interpretation and Construction – Application:

- 5.42 The proposed change to Condition 1.1.9 of the PTL licence brings this condition into alignment with the equivalent Condition 1.1.8 of the GNI (UK) licence.
- 5.43 The additional wording is designed to clarify that licence conditions may also apply to activities of the Licensee carried out outside Northern Ireland where this is expressly specified. This is relevant in so far as both GNI (UK) and PTL own and operate infrastructure parts of which are physically located outside the borders of Northern Ireland.
- 5.44 In particular, in the PTL licence, certain licence conditions refer to the Economic Network which “means all gas plant owned and/or operated and/or utilised by the Licensee from and about Twynholm in Scotland to and in Northern Ireland (comprising in respect of Northern Ireland, the Network)”. The proposed modification seeks to prevent any perceived inconsistency between these conditions and Condition 1.1.9.
- 5.45 We consider that the proposed change enhances accuracy, clarity and transparency of licence drafting, but has no practical impact otherwise.

Condition 1.21: Regulatory Instructions and Guidance:

- 5.46 The proposed addition of the word “in” in Condition 1.21.1(b) of all four high pressure gas conveyance licences is designed to enhance the readability of the condition.
- 5.47 The proposed change in reference from “Part 4” to “Part 6” in Condition 1.21.1(b) is a consequential change to a decision made by the Utility Regulator in July 2018²⁹ to facilitate pre-construction financing by WTL³⁰ whereby Part 4 of the WTL gas conveyance licence was switched off and Part 6 switched on.

²⁹ [Utility Regulator: Directions pursuant to Conditions 5.1.1 and 5.1.2 of Licence for the Conveyance of Gas, 19 July 2018.](#)

³⁰ For further details, see [Utility Regulator: WTL Financing Regulatory Decisions and Arrangements to Allow Financing Pre Construction Completing, 3 August 2018](#)

- 5.48 With respect to the proposed amendment to the definition of the term “Price Control Conditions” we note that the definition as currently set out in the in the BGTL and PTL licences refers to the condition for Approved Surplus Determination. It has been suggested that this focus might be too narrow and that it might be more appropriate for the term to also cover provisions relating to the Required Revenue.
- 5.49 We agree with this view. For example, the Supplemental Income from Stranraer is relevant for the Required Revenue but not the Approved Surplus Determination, and forms part of the data to be reported on under the Regulatory Instructions and Guidance.
- 5.50 We also consider that, in the interest of consistency, it is reasonable to maintain the alignment in the drafting of Condition 1.21 between the BGTL and PTL licences.
- 5.51 Similarly, and also in the interest of consistency, the term “Price Control Conditions” as used in Condition 1.21 of the WTL licence should refer to the relevant applicable provisions, i.e. to Part 6 Price Control Conditions after Re-Financing.
- 5.52 We consider that the proposed changes are necessary to update outdated cross-references in the WTL licence. They also align the drafting of Condition 1.21 with current reporting practice. In so doing, they enhance accuracy, clarity and transparency of licence drafting.

Condition 2.2: Conveyance Charges, Other Terms for the Conveyance of Gas and the Provision of Conveyance Services – Reference to CER

- 5.53 The proposed update of the references to “CER” with “CRU” in the GNI licence is a consequential change to the change in name of that organisation.
- 5.54 We consider that the proposed change enhances accuracy, clarity and transparency of licence drafting, but has no practical impact otherwise.

Condition 2.4C: Gas Transportation Agreement:

- 5.55 The proposed changes described refer to the consolidated version of the licence. They aim at correcting clerical errors that arose when putting together the consolidated version of the licence. These errors were not present in the decision that led to the introduction of Condition 2.4C into the PTL licence³¹ and correcting the errors hence does not constitute a licence

³¹ [Utility Regulator: Modifications to Gas Conveyance Licences to Ensure European Compliance, Decision Paper, 14 April 2016.](#)

modification.

Condition 2A.2.1.9: Postalisation Charges (Gas Transmission Charging Methodology Statement)

- 5.56 The proposed change is designed to address an inaccuracy in the existing licence drafting. Condition 2A.2.1.9 refers to the term “Overrun Charges”. However, this term on its own (i.e. without the addition of “Entry”) is not defined in the high pressure gas conveyance licences. As Condition 2A.2.1.9 points to Condition 2A.2.1.7 which covers Entry Overrun and Exit Ratchet Charges, it is not fully clear from the licence drafting if the term “Overrun Charges” refers just to Entry Overrun Charges or also covers Exit Ratchet Charges.
- 5.57 The modification which lead to the introduction of the reference to Overrun charges in Condition 2A.2.1.9 was consulted upon on 11/02/2015³² and the decision published on 14/05/2015³³. The consultation paper noted: “2.10. We have also proposed licence changes to facilitate the licensee in charging for entry overruns and exit ratchet charges. We propose that the charge entry overruns is set out in the Charging Methodology Statement (CMS). The proposed licence changes are further explained in the table published alongside this paper.”³⁴ Also, the table with a summary of the proposed changes which was published as part of the consultation noted with respect to Condition 2A.2.1.9: “The obligation has been updated to reflect the fact that the charge in respect of ‘Entry Overrun Charges’ ‘VRF services’ will be set out in the GTCMS approved by the Authority.”³⁵ “This shows that the intention at the time was to refer to the term “Entry Overrun Charges”.
- 5.58 We consider that the proposed change enhances accuracy, clarity and transparency of licence drafting, but has no practical impact otherwise.

Conditions 2A.2.2.3, 2A.2.6.1, 2A.2.6.2, 2A.2.6.6: Postalisation Charges (Supplemental Payment), Condition 2A.1.1 Interpretation and Construction, Condition 3.1.9 Supplemental Payment and Consequential Changes:

- 5.59 Conditions 2A.2.2.3, 2A.2.6.1, 2A.2.6.2, 2A.2.6.6 and 2A.1.1 of all four high pressure gas conveyance licences and Condition 3.1.9 in the PTL licence refer to a supplemental payment that was due under a specific contract. It is

³² [Utility Regulator: Notice of consultation on licence changes for gas entry products, 11 February 2015.](#)

³³ [Utility Regulator: Decision on high pressure conveyance licences published, 14 May 2015.](#)

³⁴ [Utility Regulator: Consultation paper on changes to the high pressure gas conveyance licences consequent to the introduction of entry products and charges, 11 February 2015](#), p. 9.

³⁵ [Utility Regulator: Introduction of gas entry charges and products: Consultation on changes to High Pressure Conveyance Licences Published, Summary of proposed changes to the Gas Conveyance Licences – Part 2A, 11 February 2015,](#)

no longer relevant now.

- 5.60 Condition 3.1.9 of the PTL licence sets out the provisions for calculation and invoicing of such a payment. This is obsolete now. The same is the case for the definition of the term “Supplemental Payment” itself in Condition 2A.1.1.
- 5.61 2A.2.6.1 and 2A.2.6.2 deal with the treatment of Supplemental Payments in the wider context of Postalised Transmission Payments, Year-End Postalised Charges and Year-End Postalised Commodity Charges. These conditions are still relevant as such and only the reference to the Supplemental Payment therein is no longer necessary. The same is true for the definition of the term “PS Transmission Payments” in Condition 2A.1.1.
- 5.62 The proposed numbering changes to Conditions 2.2.1, 3.1.10, 3.1.11 and 3.1.12 (including cross-reference updates pointing to current Condition 3.1.10) of the PTL licence are consequential changes to the removal of Condition 3.1.9 designed to maintain consistency of numbering within the licence.
- 5.63 We consider that proposed changes set out above enhance accuracy, clarity and transparency of licence drafting.

Condition 2A.2.2.5: Postalisation Charges (Transit Point reference) and Condition 2A.1.1 Interpretation and Construction

- 5.64 Condition 2A.2.2.5 deals with Transit Points and Transit. This concept is no longer relevant now. The NI Network Gas Transmission Code now uses the concept of “Internal Connection Points” instead. The provisions in Condition 2A.2.2.5 are hence obsolete, as are the definitions of the related terms “Transit”, “Transiting”, “Transit Point” and the reference to the term “Transit Point” in the definition of “Exit Point”.
- 5.65 We consider that the proposed change to remove the obsolete wording from the licences enhances accuracy, clarity and transparency of licence drafting, but has no practical impact otherwise.

Condition 2A.2.5.5 Postalisation Charges, Forecast Postalised Charges, Total Monthly Invoices to Shippers

- 5.66 The formula in paragraph (b) of Condition 2A.2.5.5 in all four high pressure gas conveyance licences suggests that VAT (Value Added Tax) is applied only to the $TMGC_{smt}$ (total of Forecast Postalised Charges for Gas Supplier “s” in month “m” of year “t”) term, whereas the definition of the term “VAT” states that it “is the appropriate rate of Value Added Tax which will be applied to the applicable elements of the invoice”.
- 5.67 The proposed formula change is designed to resolve this inconsistency.

- 5.68 The proposed approach for the incorporation of VAT in the formula also mirrors that used in Condition 3.1.8.7 for the calculation of $TIAUC_{mt}$, (total capacity and commodity invoice amount for the Stranraer Shipper in month “m” of Year “t”)³⁶.
- 5.69 We consider that the proposed change enhances accuracy, clarity and transparency of licence drafting.

Condition 3.1.4: Allowed Revenue Determination, Actual Required Revenue, Condition 3.1.7: Allowed Revenue Determination, Authority Direction and Definitions:

- 5.70 The proposed replacement of:
- the term “ ARR_t ” with “ $ARRL_t$ ” (or, in the case of the WTL licence, “ ARR_t ”) in both paragraphs of Condition 3.1.4 of the PTL and BGTL licences and Condition 6.4.2 of the WTL licence; and
 - the term “ ARR_{t-2} ” with “ $ARRL_{t-2}$ ” in the definition of the term “Postalisation Adjustment” in Condition 3.1.7 of the PTL and BGTL licences as well as in Condition 6.6.1 of the WTL licence

is designed to address an inaccuracy of the current licence drafting: The Licensee’s Actual Required Revenue is in other parts of the licence (e.g. Condition 2A.6.1.3) referred to as “ $ARRL_t$ ” and there should be consistency in the use of designations within the licence.

- 5.71 The proposed addition of the letter “t” at the end of paragraph (a) of Condition 3.1.4 of the PTL and BGTL licences and Condition 6.4.2 of the WTL licence is designed to show more clearly the link between that paragraph and the related formula in paragraph (b).
- 5.72 The proposed modifications to all four HP licences in relation to Condition 1.1.6 update the Department’s name and update the company name of BGE UK to GNI UK and reflect latest organisational names. The modifications proposed to condition 1.14 in relation to Notices are intended to update communication modes to modern practices. In addition, we are updating addresses and contact details of the licences, UR and the Department for the economy to reflect up to date details. In addition, we are clarifying written communication definitions and what constitutes written communication for additional transparency and clarity.
- 5.73 For the GNI licence only we are proposing to update several references to the CER to the most recent terminology of CRU within conditions 2.2.16 a ii and 2.2.19. This represents three changes to update the Commission for

³⁶ See paragraph 2.23 for further details.

Energy Regulation name to the Commission for Regulation of Utilities and it considered that these modifications are minor and will reflect the latest terminology of the CRU.

- 5.74 We consider that these changes enhance accuracy, clarity, and transparency of licence drafting.

6. Haynestown Licence Modifications

- 6.1 We are also taking the opportunity to amend the GNI (UK) licence for the Haynestown Enduring Charging arrangements. This arrangement relates to the reservation of and/ or charges for capacity by using infrastructure physically located in other jurisdictions. The UR has been engaging with the CRU on the charging methodology for offtakes from the South- North Pipeline in the Republic of Ireland. This engagement relates to an offtake at Haynestown in the ROI and we have been liaising with CRU to develop an enduring charging mechanism for Haynestown which reflects the interests of consumers in Northern Ireland.
- 6.2 These proposed modifications are required as discussions on the Enduring Charging arrangements are still ongoing and the reconciliation will be required to go back further into the past than what the current GNI (UK) licence drafting allows. Therefore, the Supplemental Income arrangements will require modification to facilitate this adjustment. Consequently, we are proposing modifications to the GNI (UK) licence in relation to the Supplemental Income formula in Annex A Part 4. This will result in an amendment to the formula for the calculation of Supplemental Income to include a 'Supplemental Income Adjustment.' The Supplemental Income adjustment is intended to be a one-off adjustment to be carried out in the year following the agreement of the Enduring Charging Mechanism.
- 6.3 The current Supplemental Income formula in Part 4 (d) of the licence is as follows:

$$FSI_t + [(ASI_{t-2} - FSI_{t-2}) * (1+ r_{t-2}) (1+ r_{t-1})]$$

where:

FSI_t is the Allowed Supplemental Income which should become due or receivable to the Licensee during Gas Year t;

ASI_{t-2} is the Actual Supplemental Income for Gas Year t-2.

r_{t-1} is the nominal weighted average rate of return in Gas Year t-1.

It may be useful to include a definition of the terms FSI_{t-2} and r_{t-2} since they are included in the formula terms so the SI formula now reads:

$$FSI_t + [(ASI_{t-2} - FSI_{t-2}) * (1+ r_{t-2}) (1+ r_{t-1})]$$

where:

FSI_t is the Allowed Supplemental Income which should become due or receivable to the Licensee during Gas Year t;

ASI_{t-2} is the Actual Supplemental Income for Gas Year t-2.

FSI_{t-2} is the Allowed Supplemental Income which should become due or receivable to the Licensee during Gas Year t-2;

rn_{t-2} is the nominal weighted average rate of return in Gas Year t-1

rn_{t-1} is the nominal weighted average rate of return in Gas Year t-1.

- 6.4 To facilitate the required Supplement Income adjustment for the period when Gas flow commenced i.e. from February 2021 in the year 20/21, the above formula will change as follows:

$$FSI_t + [(ASI_{t-2} - FSI_{t-2}) * (1 + rn_{t-2}) (1 + rn_{t-1})] + \text{Supplemental Income Adjustment}$$

- 6.5 The 20/21 period is expressed as n and the formula is intended to calculate adjustments until the year t-3, as the current formula deals with the year t-2. The term ASI deals with adjustment to t-2; however, another term AASI is required to deal with more historic adjustments. Therefore, adjustments will be required for the 8 months of 20/21, the year 21/22 and the year 22/23, if we assume the agreement will be reached in 25/26. This is because the years 24/25 (t-1) and 23/24 (t-2) will be covered by ASI in the existing formula.

- 6.6 It is proposed that the Supplemental Income Adjustment is calculated as follows with the licence drafting appearing as

“The Supplemental Income Adjustment will be calculated as:

$$SI \text{ Adjustment} = \sum_{i=n}^{t-3} ((AASI_i - ASI_i) \cdot \prod_{j=i}^{t-1} (1 + r_j))$$

- 6.7 In addition, there will be an adjustment for rate of return for the purposes of cost appropriateness and fairness. To supplement the new licence formula for the Supplemental Income adjustment, we will also require an explanation of formula terms. Therefore, by way of explanation, the licence drafting in Part 4 (d) will also include the following drafting for the associated definitions

in the formula:

SI Adjustment	is a one-off correction to be carried out in the year following the agreement of the enduring charging mechanism.
AASI	is the Adjusted Actual Supplemental Income, calculated following the agreement of the enduring charging mechanism for the years between prior to t-2.
n	is the year of the first Supplemental Income which needs to be adjusted.

This formula is intended to calculate the one-off adjustment once the enduring charge is known. It will be calculated as the sum of the adjustment required for each year, from the first year the arrangement commenced, i.e. 20/21 which is referred to as 'n' and ending in t-3 as the current formula addresses t-2. The adjustment is calculated as being AASI less ASI for that year and then multiplies it by the compound rate of return up to the year t-1. This part of the calculation uses the term i for the year in question and the term j to ensure that the rate of return is calculated for the years from the year i to the year t-1. This calculation is undertaken for the years between the first year of the Supplemental Income, which is 20/21 and t-3 inclusive.

Reasons and Effects

- 6.8 The amendments to the GNI licence Annex A Part 4 in relation to the Supplemental Income Adjustment are required to definitively clarify how the Supplemental Income Adjustment in relation to the Haynestown Enduring Charging arrangements should apply. This will allow a one-off adjustment to be made once the principles of charging are agreed for the Haynestown Supplemental Income. The proposed drafting results in a specified formula for the Supplemental Income adjustment and an explanation of formula terms to assist in the calculation of the adjustment required. This proposed drafting is considered necessary to enhance clarity regarding the actual calculation of the associated income and its mechanics which will be agreeable to respective parties, and which is representative and fair.

7. Next Steps

- 7.1 This paper represents the Utility Regulator’s proposals on modifications to the four high pressure gas conveyance licences. Table 2 summarises the next steps and associated timelines for the licence modification process. We note that that timelines are indicative at this stage and may be subject to change.
- 7.2 Once we have considered any responses to this consultation, we will issue our notice of decision. The licence modification effective date will a minimum of 56 days after that notice of decision.

Next Steps	Proposed Date
Notice of proposal to modify gas conveyance licences published	6 th November 2024
Statutory consultation closes	4 th December 2024
Notice of decision to modify gas conveyance licences published	February/ March 2025
Licence modification effective date	April 2025

Table 2: Indicative timelines for next steps

Annexes

Table 3 below provides an overview over the annexes to this consultation document.

Annexes A to D set out, for each licence holder, the proposed modifications tracked against the current licence drafting.

Annex E represents the notice under Article 14(2) of the Gas (Northern Ireland) Order 1996 of our licence modification proposal.

Annex Number	Annex Name
Annex A	Proposed BGTL licence modifications
Annex B	Proposed PTL licence modifications
Annex C	Proposed WTL licence modifications
Annex D	Proposed GNI (UK) licence modifications
Annex E	Notice under Article 14(2) of the Gas (Northern Ireland) Order 1996

Table 3: Overview of Annexes