

THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION

BGE (UK) LICENCE MODIFICATION NOTICE

WHEREAS:-

- 1) On 1 October 2013 the Northern Ireland Authority for Utility Regulation (the "**Authority**"), in accordance with Article 14(3) of the Gas (Northern Ireland) Order 1996 (the "**Order**"), gave notice:-
 - a) stating that it proposed to make modifications to the conditions of the gas conveyance licence held by BGE(UK) Ltd (the "**Licensee**") under Article 8(1)(a) of the Order;
 - b) setting out the effect of the proposed modifications;
 - c) stating the reasons why it proposed to make those modifications; and
 - d) specifying the period within which representations or objections with respect to the modifications may be made.
- 2) The Authority has considered the representations or objections with respect to the proposed modifications which were made and not withdrawn.
- 3) The Licensee has consented to the making of the proposed modifications.

NOW:-

In pursuance of its powers under Article 14(1) of the Order:-

- 1) the Authority hereby gives notice of the modification of the conditions of the gas conveyance licence held by the Licensee under Article 8(1)(a) of the Order;
- 2) the modifications proposed are shown in redline or in strikethrough on the version of Condition 2.2 and Part 2A as set out in Schedule 1 below; and
- 3) the modifications shall take effect on 15 January 2014.



Jenny Pyper

For and on behalf of the Northern Ireland Authority for Utility Regulation

Dated the 15 of January 2014

cc. John Mills, DETI

Padraic O'Connell, BGE (UK) Ltd.

MODIFICATIONS TO CONDITION 2.2

Condition 2.2 Conveyance Charges, Other Terms for the Conveyance of Gas and the Provision of Conveyance Services

2.2.1 Charges to be subject to Revenue Determination Formula

2.2.1.1 Application of the Revenue Determination Formula during Revenue Recovery Period

- (a) In respect of any period when a Designation Order is not in place in respect of the Network, the Licensee shall use its reasonable endeavours to ensure that in each Gas Year during such period its Total Conveyance Revenue shall not exceed the Total Allowed Conveyance Revenue for that Gas Year.
- (b) In respect of the first Gas Year commencing on or after the Designation Date and each Gas Year or part of a Gas Year thereafter for so long as a Designation Order is and remains in force in respect of the Network, the Licensee shall ensure that its Forecast Required Revenue to be notified to the Authority and the PSA in accordance with paragraphs (c) and (e) shall be calculated in accordance with the Formula.
- (c) No later than the first Business Day in July in any Gas Year commencing on or after the Designation Date the Licensee shall provide to the Authority its calculation of Forecast Required Revenue for the next Gas Year.
- (d) The Licensee shall provide to the Authority such explanations and information relating to the Licensee's calculation of Forecast Required Revenue as may be required by the Authority.
- (e) No later than the fifteenth Business Day in July in any such Gas Year referred to in subparagraph (c) the Licensee shall provide to the PSA the Licensee's calculation of Forecast Required Revenue in respect of the next Gas Year.
- (f) For all purposes the figures for the Licensee's Forecast Required Revenue and Actual Required Revenue in respect of any Gas Year shall be the same, and shall be equal to the figure for the Total Allowed Conveyance Revenue for that Gas Year.
- (g) Postalisation Adjustment

The Postalisation Adjustment for the purposes of the determination of Total Allowed Conveyance Revenue in Gas Year t will be an allowance (which could be positive or negative) comprised of the sum of the amounts set out in (i), (ii) and (iii) below:

- (i) costs and expenses, losses and/or liabilities to be incurred, or incurred by the Licensee associated with the PSA and/or the Trustee under the agreements under which they are appointed;
- (ii) amounts due in respect of Commodity Reconciliation Payments for Gas Year t-2 calculated according to the following formula:

$$UNRPT_{t-2} \times (1+RE)^{1.5} \times \frac{CPI_t}{CPI_{t-2}} \times \frac{ARR_{t-2}}{PS\ ARR_{t-2}}$$

where:

$UNRPT_{t-2}$ = *un-recovered Postalisation Payments as calculated by the PSA in respect of Gas Year t-2;*

CPI_t = the forecast of the absolute value of the General Index of Consumer Prices – All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) for Gas Year t, as published in the preceding year’s May edition of the Bank of England Inflation Report or if such index is no longer published, such alternative index as the Authority shall, after consultation with the Licensee, determine most closely reflects the Consumer Prices Index;

CPI_{t-2} = the absolute value of the General Index of Consumer Prices – All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) - for Gas Year t-2, or if such index is no longer published, such alternative index as the Authority shall, after consultation with the Licensee, determine most closely reflects the General Index of Consumer Prices –All items (1996 =100);

ARR_{t-2} = the Licensee's Actual Required Revenue in respect of Gas Year t-2;

PS ARR_{t-2} = the sum of the Actual Required Revenues (as defined in each Licensees Respective Licence) of all Designated Pipeline Operators in respect of Gas Year t-2;

RE = the applicable real interest rate, which is calculated as the one-year LIBOR rate, as published on the 10th business day of June in Gas Year t-1, plus 2% minus CPI factor, calculated as:

$$\text{LIBOR rate \%} + 2\% - \left[\left(\frac{\text{CPI}_t}{\text{CPI}_{t-1}} \right) - 1 \right] \times 100$$

CPI_{t-1} = the absolute value of the General Index of Consumer Prices – All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) - for Gas Year t-1, or if such index is available the latest CPI figure published in Gas Year t-1

- (iii) such amount as the Authority may, after consultation with the Department, deem appropriate in respect of costs incurred by the Licensee in connection with approved activities in relation to the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland.

2.2.1.2 Termination Payments

If the Licensee receives any sums due under the Network Code upon the termination of a Gas Supplier's Accession Agreement in respect of future Gas Years following the Gas Year in which the date of termination occurs, the Authority shall amend the Forecast Required Revenue and Actual Required Revenue to take account of such payment, according to a methodology agreed with the Licensee.

2.2.2 Allowed Capital Expenditure

- (a) The Licensee may at any time and shall no later than:-

- (i) 18 months after the date of the Grant, in respect of the North West Pipeline; and
- (ii) the date 24 months after the date specified in (i), in respect of the South North Pipeline; and
- (iii) the date 24 months after the date specified in Condition 2.2.2(a)(i), in respect of the Spurs and any associated Postalised Distribution Pipelines; or
- (iv) such later date as the Authority agrees (taking account in particular of exceptional circumstances which could not reasonably have been foreseen by the Licensee)

submit a forecast of the amount and timing of Capital Expenditure in respect of the pipe-lines in question, separately identifying the amount of such expenditure that the licensee believes would be Uncontrollable Capital Expenditure (each an “Uncontrollable Capital Expenditure Estimate”) and the amount that the Licensee believes would not (each a “Controllable Capital Expenditure Estimate”).

The Licensee shall provide such further information or explanation and documents and records as the Authority reasonably requires for the purpose of verifying each Controllable Capital Expenditure Estimate and each Uncontrollable Capital Expenditure Estimate including, without limitation, all figures, costs, estimates and assumptions comprised in or underlying the same.

(b) The Authority may, following verification, by notice to the Licensee in respect of each such Controllable Capital Expenditure Estimate:

- (i) approve the Controllable Capital Expenditure Estimate as the Verified Controllable Capital Forecast for the pipe-line in question; or
- (ii) determine as the Verified Controllable Capital Forecast for the pipe-line in question such amended figure as it considers appropriate;

provided that before making any amendments to the Controllable Capital Expenditure Estimate the Authority shall provide details of the amendments and the reasons for them (such reasons to be based on established gas transmission pipeline

engineering and cost control principles) and give the Licensee an appropriate period (being not less than 28 days) to comment on them.

(c) The Licensee shall:

- (i) not later than 3 months after the end of each 12 month period from the date of the Grant up to the relevant First Operational Commencement Date; and
- (ii) not later than 3 months after the end of each Gas Year;

provide the Authority with

(aa) its current forecasts of the amount and timing of Capital Expenditure in respect of each of (to the extent applicable) the North West Pipeline, the South North Pipeline, each of the Spurs and any associated Postalised Distribution Pipelines, separately identifying the amount of expenditure that the Licensee believes would be Uncontrollable Capital Expenditure; and

(ab) details of the amount and timing of Capital Expenditure the Licensee has actually incurred in respect of each of (to the extent applicable) the North West Pipeline, the South North Pipeline, each of the Spurs and any associated Postalised Distribution Pipelines, separately identifying the amount of expenditure that the Licensee believes would be Uncontrollable Capital Expenditure.

(d) As soon as reasonably possible after completion of

- (i) the North West Pipeline;
- (ii) the South North Pipeline;
- (iii) each of the Spurs and any associated Postalised Distribution Pipelines;

the Licensee shall submit details of the amount and timing of cumulative Capital Expenditure actually incurred in respect of each such pipe-line, separately identifying the amount of such expenditure which it has incurred which it believes to be Uncontrollable Capital Expenditure (the "Total Uncontrollable Capital Expenditure"), and the amount that the Licensee believes would not (the "Total Controllable Capital Expenditure"); and

- (a) such Total Controllable Capital Expenditure shall, subject to Condition 2.2.2 (e) and (f), be the Actual Controllable Capital Expenditure for the respective pipeline;
 - (b) such Total Uncontrollable Capital Expenditure shall, subject to Condition 2.2.2 (e) and (g), be the Actual Uncontrollable Capital Expenditure for the respective pipeline.
- (e) The Licensee shall provide such further information or explanation and documents and records as the Authority reasonably requires for the purpose of auditing the Total Controllable Capital Expenditure and the Total Uncontrollable Capital Expenditure figures submitted by the Licensee in accordance with Condition 2.2.2 (d), and/or the forecasts and details provided by the Licensee in accordance with Condition 2.2.2 (c).
- (f) The Authority may, following audit pursuant to Condition 2.2.2 (e), by notice to the Licensee in respect of the Total Controllable Capital Expenditure figures submitted by the Licensee in accordance with Condition 2.2.2 (d):
- (i) approve the Licensee's relevant Total Controllable Capital Expenditure figure as the Actual Controllable Capital Expenditure for the North West Pipeline, South North Pipeline, the Spurs and any associated Postalised Distribution Pipelines, as appropriate; or
 - (ii) determine as the Actual Controllable Capital Expenditure such amended figure as it considers appropriate for the North West Pipeline, South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, as appropriate if, in its reasonable opinion, the figure proposed by the Licensee does not accurately reflect the Controllable Capital Expenditure incurred by the Licensee in respect of the pipeline in question,

provided that before making any amendments to the Total Controllable Capital Expenditure figure submitted by the Licensee the Authority shall provide details of the amendments and the reasons for them (such reasons to be based on established gas transmission pipeline engineering and cost control principles) and give the Licensee an appropriate period (being not less than 28 days) to comment on them.

- (g) The Authority may, following audit pursuant to Condition 2.2.2 (e), by notice to the Licensee in respect of Total Uncontrollable Capital Expenditure figures submitted by the Licensee in accordance with Condition 2.2.2 (d):

- (i) approve the Licensee's relevant Total Uncontrollable Capital Expenditure figure as the Actual Uncontrollable Capital Expenditure for the North West Pipeline, South North Pipeline, the Spurs and any associated Postalised Distribution Pipelines, as appropriate; or
- (ii) determine as the Actual Uncontrollable Capital Expenditure such amended figure as it considers appropriate for the North West Pipeline, South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, as appropriate if, in its reasonable opinion, the figure proposed by the Licensee does not accurately reflect Uncontrollable Capital Expenditure incurred by the Licensee in respect of the pipeline in question, including, without limitation, if, in its reasonable opinion, any part of the expenditure included by the Licensee within the Total Uncontrollable Capital Expenditure figure falls outside the categories of Uncontrollable Capital Expenditure asset out in Condition 2.2.3(a);

provided that before making any amendments to the Total Uncontrollable Capital Expenditure figure submitted by the Licensee the Authority shall provide details of the amendments and the reasons for them (such reasons to be based on established gas transmission pipeline engineering and cost control principles) and give the Licensee an appropriate period (being not less than 28 days) to comment on them.

2.2.3 Uncontrollable Capital Expenditure

- a). The following categories of Capital Expenditure shall comprise an exhaustive list of all "Uncontrollable Capital Expenditure" for the purposes of this **Error! Reference source not found.** and Annex A:

- (i). Archaeology;
- (ii). Planning conditions;
- (iii). Stock up gas;
- (iv). such other categories of Capital Expenditure as the Authority may agree with the Licensee as Uncontrollable Capital Expenditure.

The Licensee shall at all times use all reasonable endeavours to minimise the amount of Uncontrollable Capital Expenditure without adversely impacting on the safety of the Economic Network.

2.2.4 Allowed Operating Expenditure

(a) Allowed Operating Expenditure for the purpose of this Condition and the determination of Total Allowed Conveyance Revenue in accordance with the Formula shall be the Operating Expenditure, both Controllable Operating Expenditure and Uncontrollable Operating Expenditure, which the Authority deems necessary or appropriate for:

- (i) the North West Pipeline; and
- (ii) the South North Pipeline; and
- (iii) each of the Spurs;

in each case in accordance with established gas transmission pipeline engineering and cost control principles given forecast development and throughput, established in accordance with the remaining paragraphs of this Condition 2.2.4.

(b) The Licensee shall provide such information or explanation and documents and records as the Authority reasonably requires for the purpose of verifying the forecast annual Operating Expenditure figures provided by the Licensee in accordance with Condition 2.2.4 (c) and (f).

(c) The Licensee may at any time and shall no later than twelve (12) months before the First Operational Commencement Date or such other date as agreed by the Authority and Licensee submit to the Authority a forecast of annual Operating Expenditure, both Controllable Operating Expenditure and Uncontrollable Operating Expenditure for each Gas Year of the Revenue Recovery Period for:

- (i) the North West Pipeline;
- (ii) the South North Pipeline; and
- (iii) each of the Spurs

(d) If the Authority following verification approves the forecast of annual Operating Expenditure submitted under paragraph (c) that forecast shall, subject to subsequent adjustment in accordance with paragraphs (g), (h), (i), (j) and (k) be the Allowed Operating Expenditure for the Gas Year in question.

(e) If the Authority following verification and consideration of such further information as may be submitted by the Licensee considers that the Licensee's forecast should be

approved subject to modification, the amended sums notified to the Licensee by the Authority shall, subject to subsequent adjustment in accordance with paragraphs (g), (h), (i), (j) and (k) be the Allowed Operating Expenditure for the Gas Year in question provided that before making any modifications to the Licensee's forecast, the Authority shall provide details of the proposed modifications and the reasons for them and give the Licensee an appropriate period (being not less than 28 days) to comment on them.

- (f) The Licensee shall, on the date 15 months prior to each Review Date or such other date as agreed between the Authority and the Licensee, submit to the Authority the Licensee's then current estimate of annual Operating Expenditure (separately identifying the Controllable Operating Expenditure and the Uncontrollable Operating Expenditure) for each of the Gas Years in the period from the Review Date to the end of the Revenue Recovery Period.
- (g) If the Authority, following verification, approves the forecasts of annual Operating Expenditure submitted under Condition 2.2.4 (f), such forecast Operating Expenditure for each Gas Year commencing on the next Review Date set out in such forecast shall, subject to subsequent adjustment in accordance with Condition 2.2.4 (g), (h), (i), (j) and (k) be the Allowed Operating Expenditure for such Gas Year in place of the Allowed Operating Expenditure for such Gas Year as previously determined in accordance with Condition 2.2.4 (d), (e), (g), (h) or (i), as appropriate.
- (h) If the Authority, following verification and consideration of such further information as may be submitted by the Licensee, determines that the Licensee's forecast submitted under Condition 2.2.4 (f) should be approved subject to amendments, the forecast Operating Expenditure for each Gas Year commencing on the next Review Date set out in the Licensee's forecast as amended in the manner notified to the Licensee by the Authority shall, subject to subsequent adjustment in accordance with Condition 2.2.4 (g), (h), (i), (j) and (k) be the Allowed Operating Expenditure for such Gas Year in place of the Allowed Operating Expenditure previously determined for such Gas Year under Condition 2.2.4 (d), (e), (g), (h) or (i), as appropriate provided that before making any amendments to the Licensee's forecast, the Authority shall provide details of the proposed amendments and the reasons for them and give the Licensee an appropriate period (being not less than 28 days) to comment on them.
- (i) A special operating expenditure forecast review may be requested at any time by either the Licensee or the Authority if the Actual Operating Expenditure in any Gas Year

differs from the most recently agreed forecast by more than 15% and the Authority may, following such a review, substitute an amended figure as the Allowed Operating Expenditure for the remaining term (including the Gas Year in which the review occurs) of the Revenue Recovery Period subject always to subsequent amendment in accordance with Condition 2.2.4 (g), (j), (h) and (k) or this condition 2.2.4 (i). The Licensee shall provide to the Authority such information and explanations and such documents and records as the Authority reasonably requires for the purposes of any special Operating Expenditure forecast review.

The difference between the amended Allowed Operating Expenditure and the initial figure for the Gas Year in which this review takes place will be accounted for by an adjustment to the Allowed Operating Expenditure, applying to the Gas Year following the review and will include an interest element based on LIBOR plus 2%.

(j) The Licensee shall be permitted to seek the Authority's approval to recover Unforeseen Operating Expenditure. Where possible Unforeseen Operating Expenditure should be approved prior to being incurred, however it is recognised that in all circumstances prior approval may not be possible. Where the Authority, in its absolute discretion, approves the recovery of any Unforeseen Operating Expenditure, such adjustment as the Authority determines appropriate will be made to the figure for Allowed Operating Expenditure applying to the second Gas Year following the Gas Year in which the expenditure was incurred and will include an interest element based on LIBOR plus 2%.

(k) The Licensee shall submit, on an annual basis, no later than six months before the end of the Gas Year, details of Actual Uncontrollable Operating Expenditure incurred in the preceding Gas Year.

The Authority may determine that amended figures be substituted as the Actual Uncontrollable Operating Expenditure. The Licensee shall provide to the Authority such information and explanations and such documents and records as the Authority reasonably requires for the purposes of any such review.

The difference between the Actual Uncontrollable Operating Expenditure and the Allowed Uncontrollable Operating Expenditure will be accounted for by an adjustment to the Allowed Operating Expenditure, applying to the second Gas Year following the Gas Year in which the expenditure was incurred and will include an interest element based on LIBOR plus 2%.

- (l) The Licensee shall, as soon as practicable and in any event not later than six (6) months after the end of each Financial Year, submit to the Authority a statement, certified by its auditors as being accurate, detailing the Actual Operating Expenditure (separately identifying the Actual Controllable Operating Expenditure and the Actual Uncontrollable Operating Expenditure) incurred by the Licensee during the preceding Financial Year in the administration, maintenance and operation of the North West Pipeline, the South North Pipeline, and the Spurs.

2.2.5 Five yearly review of the Capital Revenue Requirement - CRR

(a) The Authority shall:

- (i). following a request from the Licensee to review the CRR Formula for the purposes referred to in Conditions 2.2.5 (b) and (d) provided that such request is submitted no later than twelve (12) months prior to the relevant Review Date; or
- (ii). otherwise if the Authority considers it appropriate,

conduct a review of the CRR Formula in accordance with this Condition 2.2.5 and each such review shall have effect from the next following Review Date.

(b) In any review under this Condition 2.2.5 the Authority shall be entitled to consider whether there have been any changes since 01 October 2004 to the actual values, including Actual Capital Expenditure, grants and capitalised interest, which are used to calculate the CRR Formula (the “CRR Actuals”) or to one or more of the following (the “CRR Variables”):

- (i) tax allowances, laws, statutory rules and regulations applicable to the Licensee’s development, construction, operation and maintenance of the Economic Network;
- (ii) the inflation rate indicated by the Consumer Prices Index;
- (iii) tax rates;
- (iv) the Rate of Return;
- (v) such other variables as the Authority may determine from time to time after consultation with the Licensee.

(c) The Licensee shall provide such information and explanation, documents and records as the Authority reasonably requires for the purpose of conducting its review in accordance with Condition 2.2.5 (b).

(d) Subject to Condition 2.2.5 (e), if following a review as referred to in Condition 2.2.5 (b) the Authority reasonably deems it necessary or desirable, the Authority shall be entitled by notice in writing to the Licensee with effect from the relevant Review Date to:

- (i) amend, add to and/or delete the CRR Formula, any CRR Actuals or any CRR Variables (“Formula Amendments”); and
- (ii) recalculate the CRR Formula, taking into account any changes to the CRR Actuals and the CRR Variables, to produce an amended CRR_m^{fp} for all future months in the Revenue Recovery Period.

such that from the relevant Review Date, the CRR_m^{fp} will be calculated to ensure:

$$\sum_{m=z}^n \frac{CRR_m^{fp}}{\prod_{m=z}^n (1 + rn_m)} + \sum_{m=1}^{z-1} \frac{CRR_m^{ap}}{\prod_{m=1}^{z-1} (1 + rn_m)} = OAV^p_{m=1} + PVT^p_{m=1}$$

where

$m=1$ is the month when the First Operational Commencement Date, for pipeline p, occurs;

z is the month of the Review Date;

n is 300 at the 25th anniversary of the First Operational Commencement Date for pipeline p;

rn_m is the nominal weighted average Rate of Return in month m calculated in accordance with paragraph **Error! Reference source not found.** of Annex A;

CRR_m^{fp} is the forecast monthly capital revenue requirement in month m with respect to pipeline p, calculated in accordance with paragraph **Error! Reference source not found.** of Annex A;

- CRR_m^{ap} is the actual monthly capital revenue received in month m with respect to pipeline p , calculated in accordance with paragraph **Error! Reference source not found.** of Annex A;
- OAV_m^p is the opening asset value in month m calculated in accordance with paragraph **Error! Reference source not found.** of Annex A;
- $PVT_{m=1}^p$ is the present value of estimated grossed up tax payments in month $m=1$ calculated in accordance with paragraph **Error! Reference source not found.** of Annex A; and
- p is the North-West Pipeline or South-North Pipeline or any Spur along with any associated Postalised Distribution Pipelines as appropriate.

(e) Before making any amendments to the Formula the Authority shall provide details of the amendments and the reasons for them and give the Licensee an appropriate period (not being less than 28 days) to comment on them.

(f) In the event that the Authority serves a notice under Condition 2.2.5 (d):

- (i) subject to the remaining provisions of this Condition 2.2.4(f), the Formula Amendments and recalculation referred to in the notice shall have effect on the relevant Review Date;
- (ii) the Licensee may within 28 days of the date of the notice serve a written notice on the Authority (a “Disapplication Notice”), in which case the Formula Amendments and recalculation referred to in the notice shall not apply; and
- (iii) if within three months after the date of the Disapplication Notice, the Authority makes a reference to the Competition Commission under Article 15 of the Order requiring the Competition Commission to investigate and report on whether the CRR Formula, CRR Actuals and CRR Variables (or any aspect or part of them) applying at that time operate, or may be expected to operate, against the public interest, and the Competition Commission subsequently concludes that they do, then the Formula Amendments and recalculation referred to in the Authority’s notice under Condition 2.2.4(d) shall apply in the period from the date of that notice to

the date of modification pursuant to Article 17 of the Order, and such adjustment as the Authority may direct shall be made to CRR^m for any future months in the Revenue Recovery Period to reflect the retrospective application of the Formula Amendments and recalculation.

2.2.6 Forecast Volumes

Subject to Standard Condition 2A, the following shall apply. The Licensee shall submit a five-year forecast of annual volumes of gas to be conveyed on the Network at least 12 months before each Review Date.

2.2.7 Requirements relating to Estimates

The Licensee shall in submitting any forecasts or estimates required to be submitted under **Error! Reference source not found.** use all reasonable endeavours to ensure that it provides the best forecasts or estimates based on the most comprehensive, current information obtainable at the time of submission.

2.2.8 Allowed revenue after expiry of Revenue Recovery Period

(a) Not less than twelve (12) months prior to the expiry of the Revenue Recovery Period the Licensee shall submit to the Authority:

- (i) a proposal as to the formula to be used for calculation of conveyance charges following the end of the Revenue Recovery Period; and
- (ii) a forecast of the amount of such charges for the five years following expiry of the Revenue Recovery Period;

which comply with the basis of calculation set out in Condition 2.2.8 (d) below.

(b) The Licensee shall provide such further information or explanation and documents and records as the Authority reasonably requires for the purpose of verifying that the formula and forecasts submitted to it by the Licensee in accordance with Condition 2.2.8 (a) comply with the principles set out in Condition 2.2.8 (d).

(c) The Authority may, following review of the submissions provided in accordance with Condition 2.2.8 (a) above, by notice to the Licensee:

- (i) approve the formula and forecasts; or

- (ii) make such amendments to the formula and forecasts as it deems necessary or appropriate to ensure compliance with the basis of calculation set out in Condition 2.2.8 (d) below provided that before making any modifications to the Licensee's formula and forecast, the Authority shall provide details of the proposed modifications and the reasons for them and give the Licensee an appropriate period (being not less than 28 days) to comment on them.
- (d) The Licensee shall in setting its charges for the conveyance of gas in the Network for each Gas Year commencing after the expiry of the Revenue Recovery Period do so in accordance with such arrangements as shall have been approved by the Authority having regard to the principle that the Licensee shall be entitled to receive by way of conveyance charges:
 - (i) the costs incurred by the Licensee deemed necessary or appropriate by the Authority in administering, maintaining and operating the Economic Network for each conveyance service; and
 - (ii) the costs incurred by the Licensee deemed necessary or appropriate by the Authority from time to time to expand, reinforce and renew the Network together with an appropriate return on those costs as agreed between the Authority and the Licensee;
 - (iii) minus any Supplemental Income.

2.2.9 Determination of conveyance charges by the Licensee

Subject to Standard Condition 2A, the following shall apply. The Licensee shall establish the methods and principles upon which conveyance charges shall be determined for gas suppliers wishing and entitled to use the Network and, provided the Authority's approval has been obtained in accordance with Condition 2.2.10, the Licensee shall publish the same in accordance with Condition 2.2.11.

The determination of charges will recognise any obligations the Licensee may enter into with end customers (e.g. volume to be supplied, capacity booked).

2.2.10 Authority's approval required for conveyance charges and other terms for the conveyance of gas

Subject to Standard Condition 2A, the following shall apply. The Authority's approval is required for conveyance charges and other terms for the conveyance of gas.

No later than 28 days before it intends to publish its statement under Condition 2.2.11 the Licensee shall notify the Authority of the contents of that statement, and seek the approval of the Authority on the conveyance charges and other terms for the conveyance of gas to be included in the statement. The Licensee shall:

- (a) provide the Authority with such information as will enable the Authority to be reasonably satisfied that the methodology, principles and effect of the conveyance charges are consistent with the terms of Conditions **Error! Reference source not found.**; 2.2.2; REF_Ref127067176 \r \h * MERGEFORMAT 2.2.4 and 2.2.8;
- (b) provide the Authority with an explanation of the other terms for conveyance set out in the statement.

The Authority may require such changes to the charges and other terms for conveyance as it thinks desirable or necessary before giving its approval. The Authority shall notify the Licensee of its approval of the conveyance charges and other terms in writing.

2.2.11 Publication of conveyance charges and other terms for the conveyance of gas

Subject to Standard Condition 2A, the following shall apply. Subject to Condition 2.2.12:

- (a) the Licensee shall for any Gas Year publish a statement of:
 - (i) its conveyance charging methodology for the use of the Network by gas suppliers for the year, by which any such gas supplier may reasonably be able to calculate applicable conveyance charges; and
 - (ii) its other terms for the use by them of the Network (and in relation to the Network Code by reference to the Network Code);

in such manner as will secure adequate publicity for it; and

- (b) the Licensee shall send a copy of any such statement to any person who asks for one;

and subject to Condition 2.2.12 (b) such statement shall clearly distinguish cases and classes of cases of gas supplier for whom the conveyance charging methodology may result in differing conveyance charges.

2.2.12 Charging for the conveyance of gas and prohibition on undue discrimination

Subject to Standard Condition 2A, the following shall apply. The Licensee shall:

- (a) unless the Authority otherwise consents, not charge for the conveyance of gas in the Network during any year or apply other terms for the conveyance of gas on any basis other than contained in its statement of conveyance charges published under Condition 2.2.11 in respect of that year;
- (b) not show any undue preference towards or undue discrimination against any gas supplier or case or classes of cases of gas supplier in the conveyance charges made or other terms for the conveyance of gas applied in relation to the Network; and
- (c) within 28 days of receiving a request for the quotation of conveyance charges for specified conveyance services by a gas supplier, provide the gas supplier with a specific statement of the conveyance charges and other terms for the conveyance of gas applicable to the conveyance services for which the gas supplier requested a quotation;

and for the purposes of Condition 2.2.12 (c) and the Licensee's obligation to provide a specific statement of conveyance charges, a request for the quotation of conveyance charges for specified conveyance services shall be treated as such if it is in such form as the Licensee can reasonably be expected to provide a specific statement of conveyance charges in return.

2.2.12.1 Charging for the conveyance of gas and prohibition on undue discrimination on designation

If Standard Condition 2A applies, the Licensee shall:

- (a) unless the Authority otherwise consents, not charge for the conveyance of gas in the Network during any year or apply other terms for the conveyance of gas on any basis other than in accordance with Standard Condition 2A.2.2 and the Network Code;
- (b) not show any undue preference towards or undue discrimination against any gas supplier or case or classes of cases of gas supplier in the application of charges or other terms for the conveyance of gas; and
- (c) within 28 day of receiving a request for the quotation of conveyance charges for specified conveyance services by a gas supplier, provide the gas supplier with a specific statement of the conveyance charges and other terms for the conveyance of gas applicable to the conveyance services for which the gas supplier requested a quotation;

and for the purposes of Condition 2.2.12.1 (c) and the Licensee's obligation to provide a specific statement of conveyance charges, a request for the quotation of conveyance charges for specified conveyance services shall be treated as such it is in such form as the Licensee can reasonably be expected to provide a specific statement of conveyances charges in return.

2.2.13 Licensee's obligation to provide services for the conveyance of gas in accordance with the Network Code

The Licensee shall provide gas suppliers with conveyance services in accordance with the Network Code.

2.2.14 Determination by Authority of the right of gas suppliers to have gas conveyed in the Network

Provided that the Authority shall have first given the Licensee not less than two months in which to make representations with respect to any of the following matters, at any time thereafter the Licensee shall provide a gas supplier with conveyancing services:

- (a) if the Authority so determines in accordance with the conveyance charges and other terms for the conveyance of gas (including the Network Code), and where applicable the Licensee's connection charges, where the gas supplier is willing to accept the same and the Licensee has refused to provide such conveyancing services; and
- (b) notwithstanding the provisions of **Error! Reference source not found.** or, where applicable, Standard Condition 2A, in accordance with the conveyance charges, and at any other time, in accordance with a price determined by the Authority allowing the Licensee to obtain appropriate recompense in accordance with any then applicable charging regime of the Licensee approved by the Authority and then in force and, in either case and where applicable, the Licensee's connection charges, and on such other terms as the Authority reasonably considers appropriate in all the circumstances, including terms as to the Network Code, or as may establish a Network Code, or modify or amend a Network Code, where the Licensee's conveyance charges and other terms for the conveyance of gas and/or the Network Code:
 - (i) are insufficient to the reasonable satisfaction of the Authority for the conveyance services sought by the gas supplier;
 - (ii) the Licensee and gas supplier have been unable to reach agreement on appropriate terms; and
 - (iii) the gas supplier is willing to accept the Authority's determination;

provided that for the purposes of this Condition 2.2.14 the Authority is satisfied that any determination would not prejudice the efficient and safe operation of the Network or the conveyance by the Network of:

- (c) the quantities of gas which the Licensee requires or may reasonably be expected to require to be conveyed by the Network to enable the Licensee to comply with the conditions of the Licence; and
- (d) the quantities of gas of any person who has a right to have gas conveyed by the Network is entitled to require to be so conveyed in exercise of that right.

2.2.15 Additional duty to provide information

Subject to Standard Condition 2A, the following shall apply. The Licensee shall advise the Authority by a report provided to the Authority of:

(a) the number of separate arrangements with gas suppliers for gas conveyancing services provided; and

(b) the volumes of gas taken from the Network by gas suppliers;

on an annual basis or as frequently as the Authority may reasonably require from time to time.

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 as per the terms of the Licensee's CER transmission licence and following consultation with the Authority.

(b) The Licensee shall report to the Authority on an annual basis in each Gas Year not later than six months before the end of the Gas Year:

(i) with the Licensee's calculation of all Supplemental Income reasonably anticipated by the Licensee to become due to, or receivable by, it in the forthcoming Gas Year; and

(ii) details of what the Licensee considers to be the Supplemental Income recovered in the preceding Gas Year.

(c) The Licensee shall promptly provide to the Authority such information, explanations, documents and records as the Authority may reasonably require in connection with or relating to Supplemental Income and the report provided in accordance with Condition 2.2.16 (b).

(d) The Authority may, following verification, by notice to the Licensee in respect of the figures submitted in the Licensee's report in accordance with Condition 2.2.16 (b)(i):-

- (i). approve the figures in the report as the Allowed Supplemental Income for the relevant Gas Year; or
- (ii). determine as the Allowed Supplemental Income for the relevant Gas Year such amended figure as it considers appropriate;

provided that before making any amendments to the figures in the report submitted by the Licensee the Authority shall provide details of the amendments and the reasons for them and give the Licensee an appropriate period (being not less than 28 days) to comment on them.

(e) The Authority may, following verification, by notice to the Licensee in respect of the figures submitted in the Licensee's report in accordance with Condition 2.2.16 (b)(ii):-

- (i). approve the figures in the report as the Actual Supplemental Income for the relevant Gas Year; or
- (ii). determine as the Actual Supplemental Income for the relevant Gas Year such amended figure as it considers appropriate;

2.2.17 Maintenance of the Economic Network

The Licensee shall maintain in good order the Economic Network throughout the Revenue Recovery Period.

The Licensee will continue to maintain the Economic Network post the Revenue Recovery Period throughout its operational life, being not less than 60 Gas Years from the respective First Operational Commencement Date subject to Conditions 2.2.8(d) (i) and (ii).

2.2.18 (UK) Transportation Agreement (Moffat to Twynholm)

The Licensee shall be entitled to recover any losses incurred, or payments due, under the BGE(UK) – PTL Transportation Agreement dated 21st August 1996, less any amounts that have been paid to the Licensee from the escrow account set up pursuant to clause 9 of the "Transportation Agreement Direct Agreement" between BGE(UK), PTL and the Prudential Security Company Ltd dated 18 March 2005;

- (i) in respect of any period when a Designation Order is in place in respect of the Network, as part of the Licensee's Actual Required Revenue; or
- (ii) in respect of any period when a Designation Order is not in place, through charges imposed by it for the conveyance of gas on the pipeline networks in Northern Ireland and, developed by the DPOs and approved by the Authority for the conveyance of gas on their respective networks.

2.2.19 Additional Definitions and interpretation

(a) For the purpose of this Condition:-

- “Actual Controllable Capital Expenditure” means the cumulative amount of actual Controllable Capital Expenditure in respect of each of the North West Pipeline, the South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, as determined by the Authority in accordance with Condition 2.2.2 (f);
- “Actual Required Revenue”(ARR) means, for periods when a Designation Order is in place in respect of the Network, the maximum amount which the Licensee is permitted to recover through conveyance charges in any Gas Year, calculated in accordance with the Formula;
- “Actual Uncontrollable Capital Expenditure” means the cumulative amount of actual Uncontrollable Capital Expenditure in respect of each of the North West Pipeline, the South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, as determined by the Authority in accordance with Condition 2.2.2 (g);
- “Actual Capital Expenditure” means, in respect of the North West Pipeline, the South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, the Actual Controllable Capital Expenditure plus the Actual Uncontrollable Capital Expenditure;
- “Actual Operating Expenditure” means the Operating Expenditure actually incurred by the Licensee (and “Actual Controllable Operating Expenditure” and “Actual Uncontrollable Operating Expenditure” shall be construed accordingly);
- “Actual Supplemental Income” means that Supplemental Income determined to be such approved or determined by the Authority in accordance with

Condition 2.2.16 (e);

“Allowed Operating Expenditure” means that Operating Expenditure determined to be such by the Authority in accordance with Condition 2.2.4 (and “Allowed Controllable Operating Expenditure” and “Allowed Uncontrollable Operating Expenditure” shall be construed accordingly);

“Allowed Supplemental Income” means that Supplemental Income determined to be such approved or determined by the Authority in accordance with Condition 2.2.16 (d);

“Business Day” means a day, other than a Saturday or Sunday, on which banks are open for ordinary banking business in Belfast;

“Buy-Back Capacity” has the meaning given to it in the OS Conditions (as defined in Condition 2A.1.1);

“Capital Expenditure” means Expenditure that relates to property, plant or equipment that would be recognised as an asset under International Accounting Standard 16 ‘Property, Plant and Equipment’ (excluding any attributable interest costs), or any alternative accounting treatment specified by the Authority in any regulatory accounting guidelines issued from time to time;

“CER” or “Commission” means the Commission for Energy Regulation established pursuant to Section 8 of the Electricity Regulation Act, 1999;

“Consumer Price Index” or “CPI” means, the “Consumer Prices Index (CPI) 2005 = 100” as published by the Office of National Statistics (Series Identifier D7BT); or if such index is no longer published, such alternative index as the Authority shall, after consultation with the Licensee, determine most closely reflects that index;

<u>“Controllable Capital Expenditure”</u>	<u>means Capital Expenditure other than Uncontrollable Capital Expenditure;</u>
<u>“Controllable Capital Expenditure Estimate”</u>	<u>has the meaning given to that term in Condition 2.2.2;</u>
“Controllable Operating Expenditure”	means Operating Expenditure other than Uncontrollable Operating Expenditure;
“CRR”	means the capital revenue requirement as calculated in accordance with the CRR Formula;
“CRR Actuals”	has the meaning given to that term in Condition 2.2.5(b);
“CRR Formula”	means the formulae calculated according to paragraph Error! Reference source not found. of Annex A;
“CRR Variables”	has the meaning given to that term in Condition 2.2.5 (b);
“Economic Network”	means the North West Pipeline, the South North Pipeline, and the Spurs taken together;
“Forecast Required Revenue”	means the amount set out in accordance with 2.2.1.1 (f);
“Formula”	means the formula for the determination of the Actual Allowed Revenue set out in paragraph Error! Reference source not found. of Annex A;
“Formula Amendments”	has the meaning given to that term in Condition 2.2.5 (d);
“Gas Year”	means the period of time beginning at 06:00 hours on 01 October in any calendar year and ending at 06:00 hours on 01 October in the next succeeding calendar year;
“LIBOR”	means the sterling London Interbank Offered Rate as published in the Financial Times from time to time and which will be an annual rate unless stated otherwise;

"Network"	means all high pressure gas pipe-lines and gas plant owned and/or operated and/or utilised by the Licensee in Northern Ireland in relation to its Licence given under Paragraph 1 of the Grant;
"North West Pipeline"	means the pipeline starting at the tie-in of the Licensee's pipeline at Carrickfergus to the pipeline owned by Phoenix Natural Gas to the outlet flange of the AGI at the site of the 400 MW CCGT power plant at Coolkeeragh;
"Operating Expenditure"	means Expenditure other than Capital Expenditure;
<u>"OS Capacity"</u>	<u>has the meaning given to it in the OS Conditions (as defined in Condition 2A.1.1);</u>
<u>"OS Revenue"</u>	<u>means, in respect of any Gas Year, the net amounts received in respect of the provision of the OS Services as determined in accordance with the OS Scheme;</u>
<u>"Licensee OS Revenues Share"</u>	<u>means, in respect of any given Gas Year, the part of the OS Revenues actually received and retained in cash by the Licensee out of the proceeds of OS Revenues, after deduction of value added tax (if any) and any other taxes payable by the Licensee on the amounts so received and in accordance with the relevant provision of the OS Scheme.</u>
<u>"OS Services" and OS Scheme</u>	<u>have the meaning given to them in the OS Conditions (as defined in Condition 2A.1.1);</u>
"Postalisation Adjustment"	means for the purposes of the determination of Total Allowed Conveyance Revenue in Gas Year t, an allowance (positive or negative) comprised of the sum of the amounts referred to in Condition 2.2.1.1 (g);

<p>“Postalised Distribution Pipeline”</p>	<p>means that part of any pipe-line owned and operated pursuant to the Towns Licence and running from the Economic Network to one or more Supply Locations which commences at the point of connection with the Economic Network and ends at the first Five km Point to be reached by that pipe-line. Where:</p> <p>“Five km Point” means, in respect of a Supply Location, any point lying on a radius of 5 kilometres drawn around the Load Centre for that Supply Location;</p> <p>“Load Centre” means, in respect of a Supply Location, the location determined as such by the Authority;</p> <p>“Supply Location” means each Town (as defined in condition 3.1 of the Towns Licence), and any other premises or group of premises that is designated as such by the Authority from time to time; and</p> <p>“Towns Licence” means the conveyance licence granted to Bord Gais Eireann on 24 March 2005;</p>
<p>“Rate of Return”</p>	<p>means the rate of return established in accordance with paragraph Error! Reference source not found. of Annex A;</p>
<p>“Retail Price Index” or “RPI”</p>	<p>means, <u>the “Retail Prices Index (RPI) January 1987 = 100” as published by the Office of National Statistics (Series Identifier CHAW); or if such index is no longer published, such alternative index as the Authority shall, after consultation with the Licensee, determine most closely reflects that index;</u></p>
<p>“Revenue Recovery Period”</p>	<p>means, in respect of each of the North West Pipeline, the South North Pipeline, or the Spurs and any associated Postalised Distribution Pipelines, the period of twenty five years commencing on the relevant First Operational Commencement Date;</p>

“Review Date”	means 1 st October 2007 and every fifth anniversary thereafter during the Revenue Recovery Period;
“South North Pipeline”	means the high-pressure transmission pipeline running from Gormanston in the Republic of Ireland up to and including its connection and tie-in point with the North West Pipeline at the Ballyalbanagh AGI in Northern Ireland;
"Spurs"	means a high pressure pipe-line connecting (directly or indirectly) to the Licensee’s North West pipe-line or South North pipe-line which runs to a point designated by the Authority under Condition 1.15.3(b)(ii) and which is constructed or to be constructed for the purpose of facilitating the taking of gas to a town, customer, or group of customers;
“Supplemental Income”	means all revenue arising in the hands of the Licensee (or any affiliate or related undertaking of the Licensee) from the exploitation of the North West Pipeline, the South North Pipeline, and Spurs other than charges arising directly from the provision of conveyance services and shall include income from the conveyance of gas through the South North Pipeline outside Northern Ireland and any other revenue arising from the exploitation by the Licensee of the Economic Network assets;
“Total Controllable Capital Expenditure”	has the meaning given to that term in Condition 2.2.2 (d);
“Total Allowed Conveyance Revenue”	means the maximum amount which the Licensee is permitted to recover in any Gas Year through conveyance charges under the Formula;
“Total Conveyance Revenue”	means the total conveyance charge revenue received by the Licensee in any Gas Year;

“Total Uncontrollable Capital Expenditure”	has the meaning given to that term in Condition 2.2.2 (d);
“Uncontrollable Capital Expenditure”	has the meaning given to that term in Condition 2.2.3;
“Uncontrollable Capital Expenditure Estimate”	has the meaning given to that term in Condition 2.2.2 (a);
“Uncontrollable Operating Expenditure”	means Operating Expenditure which is outside the reasonable control of the Licensee and which falls within the list of “Uncontrollable Operating Expenditure” determined as such by the Authority for the purposes of this Condition, <u>as such list may be amended, supplemented or varied from time to time;</u>
“Unforeseen Operating Expenditure”	means any <u>Operating Expenditure</u> incurred or to be incurred in a Gas Year and not accounted for in the <u>Allowed Operating Expenditure figure for that Gas Year;</u>
“Verified Controllable Capital Forecast”	means that <u>Controllable Capital Expenditure</u> determined to be such by the Authority in accordance with Condition 2.2.2 (b);
“STC/VRF Revenue”	means in respect of any Gas Year, the cash amounts actually received by the Licensee for the provision of the STC / VRF Services in that Gas Year, after deduction of value added tax (if any) and any other taxes based directly on the amounts so received

2.2.20 Allowed Capital Expenditure, Allowed Operating Expenditure, Supplemental Income and associated expressions may, where appropriate, include actual or forecast expenditure or revenue incurred or earned outside Northern Ireland.

2.2.21 The Licensee's forecast of STC / VRF Revenues shall be set at zero. The Licensee shall provide to the Authority such data and information as it has received from Gas Suppliers pursuant to the Network Code concerning their likely usage of Daily Capacity and of the Virtual Reverse Flow Service in such forthcoming Gas Year and their actual usage of Daily Capacity and of the Virtual

Reverse Flow Service in any Gas Year which has ended prior to the making of the request). Such data to be provided no later than the last Business Day in June in the case of likely usage of Daily Capacity and of the Virtual Reverse Flow Service in such forthcoming Gas Year, and by the tenth Business Day in November in the case of actual usage of Daily Capacity and of the Virtual Reverse Flow Service in any Gas Year which has ended prior to the submission of the data.

2.2.22 STC/VRF Revenues Information

2.2.22.1 The Licensee shall report to the Authority on an annual basis in each Gas Year not later than the tenth Business Day in November details of the Licensees STC/VRF Revenues in the preceding Gas Year.

The Licensee shall promptly provide to the Authority such information, explanations, documents and records as the Authority may reasonably require in connection with or relating to STC/VRF Revenues and the report provided to the Authority by the Licensee in accordance with Condition 2.2.22.1.

2.2.22.2 The Authority may, following verification, by notice to the Licensee in respect of the figures in the Licensee's report submitted in accordance with Condition 2.2.22.1:

- (i) approve the figures in the report as the STC/VRF Revenues for the relevant Gas Year; or
- (ii) determine as the STC/VRF Revenues for the relevant Gas Year such amended figure as the Authority considers appropriate.

provided that before making any amendments to the figures in the report, the Authority shall provide details of the amendments and the reasons for them.

2.2.23 Allocation of OS Revenues

2.2.23.1 The Licensee may, in respect of each Gas Year, retain the Licensee's OS Revenues Share as calculated in accordance with the relevant provisions of the OS Scheme.

2.2.23.2 In respect of each Gas Year for which the Licensee has an obligation pursuant to the OS Scheme to make a payment during the Gas Year, the Licensee shall make such payment at the time prescribed and otherwise in accordance with the OS Scheme.

MODIFICATIONS TO PART 2A

Condition 2A.1 – Interpretation and Construction

2A.1.1 Definitions

In Part 2A of this Licence, except where expressly stated to the contrary and unless the context otherwise requires, the following terms shall have the meanings ascribed to them below:

- “Actual Figures” means the Annual Exit Quantity and the Actual Firm Capacity figures to be provided by the Licensee to the Authority under Condition 2A.2.3.2(a);
- “Actual Firm Capacity” means the aggregate of GS Firm Capacity which has been held by Gas Suppliers in respect of a Gas Year and in respect of Exit Points on the Designated Network;
- “Actual Required Revenue” as the context requires, shall have the meaning ascribed to that term in the Special Conditions of this Licence or the meaning ascribed to it in the relevant licence of each Designated Pipe-line Operator;
- “Annual Exit Quantity” means the aggregate of all Gas Suppliers’ Exit Quantities in respect of a relevant Gas Year and in respect of Exit Points on the Designated Network;
- “Auxiliary Payment” means any sum (whether or not contingent) in addition to aggregate Monthly Postalised Payments which a PS Gas Supplier is committed to pay on an annual basis in respect of Minimum Quantity Value;
- “Business Day” means a day, other than a Saturday or Sunday, on which banks are open for ordinary banking business in Belfast;
- “Buy-Back Capacity” means capacity that has been allocated as Firm Capacity, OS Capacity, or Daily Capacity (as the case may be) and subsequently made available for purchase by the Licensee in accordance with the OS Scheme and the Network Code;
- “Capacity Percentage” shall have the meaning ascribed to that term in Condition 2A.2.5.2(a);

“Capacity Reconciliation Payment”	means a charge or a payment, as the context requires, made by the Licensee to each of its Gas Suppliers in respect of the difference between the Forecast Postalised Capacity Charge and the Year-End Postalised Capacity Charge applied to a Gas Year;
“Commodity Percentage”	shall have the meaning ascribed to that term in Condition 2A.2.5.1(a);
“Commodity Reconciliation Payment”	means a charge or a payment as the context requires, made by the Licensee to each of its Gas Suppliers in respect of the difference between the Forecast Postalised Commodity Charge and the Year-End Postalised Commodity Charge applied to a Gas Year;
“Credit Committee”	means the committee which is convened and operates in accordance with the Terms of Reference;
“Daily Capacity”	means capacity (in kWh / day) which has been allocated for a duration of one Day on a firm basis in accordance with the provisions of the Network Code and / or the Network Code of any other Designated Pipe-line Operator (and, for the avoidance of doubt, shall not include any capacity which is allocated for a duration of other than one Day or <u>OS Capacity</u>).
“Debt Entitlement”	shall have the meaning ascribed to that term in Condition 2A.6.1.2(b);
“Debt Notice”	means a notice issued by the PSA as contemplated by Condition 2A.4.3.1(f);
“Debt Notice Date”	means the date on which the PSA shall issue the Debt Notice each month as contemplated by Condition 2A.4.3.1(f), being the eighth Business Day in the relevant month;
“Debt Payment”	means a charge payable by a PS Gas Supplier in respect of PS Notified Debt as contemplated by Condition 2A.3.4 and as detailed in the applicable Debt Notice;
“Debt Repayment”	means a repayment payable to a PS Gas Supplier in respect of a Recovery as contemplated by Condition 2A.3.4.3(ii) and as detailed in the applicable Debt Notice;

“Designated Network”	means such part(s) of the Licensee’s network as is or are designated from time to time pursuant to the Designation Order;
“Designated Pipe-line Operator”	means a person licensed to convey gas under Article 8(1)(a) of the Order through the Postalised System, including the Licensee;
“Designated Pipe-line Operators Agreement”	shall have the meaning ascribed to that term in Condition 2A.6.2.1;
“Designation Date”	means the date specified in a Designation Order on which any part of the Licensee’s network shall be designated as postalised;
“Designation Order”	means an order made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003 designating gas pipe-lines comprised within the Licensee’s network as being subject to a common tariff;
“Directions”	shall have the meaning ascribed to that term in Condition 2A.3.2;
“Distribution Business”	means, where applicable, a Separate Business of the Licensee which carries on the business of conveyance of gas through distribution pipe-lines and which, with the Authority’s consent, may hold Firm Capacity;
“Due Date”	means the date on which payment of an invoice in respect of any PS Transmission Payment falls due, being the tenth Business Day in the month next after the month in which the relevant invoice was issued and shall be stipulated in the Network Code;
<u>“Entry Point”</u>	<u>means a point of interconnection between the network of a Designated Pipe-line Operator and any other transmission pipe-line (except for any other transmission pipe-line operated by another Designated Pipe-line Operator) at which capacity is subject to booking procedures pursuant to the Network Code of that Designated Pipe-line Operator;</u>
<u>“Entry Point Additional Capacity”</u>	<u>means in respect of a given time the amount of additional capacity (in kWh/day), in excess of the Entry Point Technical Capacity, determined as available (on a firm basis) by the Designated Pipe-line Operator (on whose network the Entry Point is located) in accordance with the OS Scheme and the Network Code of that Designated Pipe-line Operator ;</u>
<u>“Entry Point Technical Capacity”</u>	<u>means in respect of a given time the maximum capacity (in kWh/day) available on a firm basis at an Entry Point taking account of the technical requirements of such Entry Point, system integrity and the operational</u>

requirements of the network;

- "Exit", "Exiting" or forms thereof, refers to the offtaking of gas at an Exit Point;
- "Exit Point" means a point on the Designated Network at which gas is offtaken from the Designated Network by a Gas Supplier, which is not a Transit Point and which constitutes an Exit Point under the Network Code;
- "Exit Quantity" means the total quantity of gas, (measured in kWh) allocated to the Licensee's relevant Gas Supplier in respect of an Exit Point within a certain period, or any applicable Minimum Quantity Value in respect of such period, if higher;
- "Firm Capacity" means, at any relevant time in respect of a Gas Supplier, capacity (in kWh/day) held at such time by such Gas Supplier on a firm basis in respect of an Exit Point in accordance with the provisions of the Network Code and in respect of a Gas Year (or any part thereof); except that if any Minimum Capacity Value in respect of such period and such Gas Supplier is greater than such held capacity then the Firm Capacity deemed to be held by such Gas Supplier shall be that Minimum Capacity Value but shall not include (i) Daily Capacity or (ii) OS Capacity;
- "Forecast Annual Quantity" shall have the meaning ascribed to that term in Condition 2A.2.3.1(a)(i);
- "Forecast Figures" shall mean such figures as are notified to the Authority under Condition 2A.2.3.1(a) as amended by any notice given by the Authority under Condition 2A.2.3.1(e), or such figures as are determined by the Authority under Condition 2A.2.3.1(g), as appropriate;
- "Forecast Postalisation Formulae" means the formulae set out in Condition 2A.2.5;
- "Forecast Postalised Capacity Charge" means a charge in respect of each kWh/day of Initial Firm Capacity held by the Licensee's Gas Suppliers in respect of an Exit Point in a Gas Year which shall be calculated in accordance with Condition 2A.2.5.2;
- "Forecast Postalised Charges" means a Forecast Postalised Commodity Charge and a Forecast Postalised Capacity Charge;
- "Forecast Postalised" means a charge in respect of each kWh of gas allocated to the Licensee's Gas Suppliers for Exit from the Designated Network in a Gas Year which

Commodity Charge”	shall be calculated in accordance with Condition 2A.2.5.1;
“Forecast Required Revenue”	as the context requires, shall have the meaning ascribed to that term in the Special Conditions of this Licence;
“Forecast Supplier Quantity”	means the quantity of gas which a Gas Supplier forecasts it will Exit from the Designated Network in a given period, provided that, if in relation to a Gas Supplier such quantity is less than any applicable Minimum Quantity Value, the Forecast Supplier Quantity in relation to such Gas Supplier shall be such Minimum Quantity Value;
“Gas Supplier”	means any person authorised by licence under Article 8 of the Order or by exemption under Article 7 of the Order to supply gas, (including the Licensee as so authorised or exempted) and who is entitled to Exit gas from the Designated Network or any person who is not so authorised, but with the Authority’s consent either: (i) holds Firm Capacity; or (ii) is entitled to Exit gas from the Designated Network as if it were a Gas Supplier, but shall not include the Licensee if and to the extent that it is providing balancing gas in respect of any part of the Postalised System;
“Gas Year”	means the period of time beginning at 06:00 hours on 01 October in any calendar year and ending at 06:00 hours on 01 October in the next succeeding calendar year;
“GS Annual Exit Quantity”	shall have the meaning ascribed to that term in Condition 2A.2.6.3(b);
“GS Firm Capacity”	means the Firm Capacity held by a Gas Supplier in respect of all Exit Points on the Designated Network in a Gas Year multiplied in each case by the aggregate number of months in respect of which such Firm Capacity is held in such Gas Year and divided by 12
“Initial Firm Capacity”	means the total of all Firm Capacity held by the Licensee’s Gas Suppliers in respect of a Gas Year as at the last Business Day of June preceding such Gas Year except the Gas Year commencing 01 October 2004 where Initial Firm Capacity shall mean the total of all Firm Capacity (in kWh/day) in respect of a Gas Year, such figure to be determined by the Authority no later than 30 September 2004;
“Invoice Date”	means the tenth Business Day in a month;

“kWh”	means 3,600,000 joules as defined in ISO 1000-1981(E);
“LIBOR”	means the sterling London Interbank Offered Rate as published in the Financial Times from time to time;
“MDQ”	means the maximum quantity of gas which may be offtaken from an Exit Point by a Gas Supplier in any day in respect of the Firm Capacity held by that Gas Supplier under the Network Code;
“Minimum Capacity Value”	means any minimum quantum of capacity (in kWh/day) in respect of which a PS Gas Supplier is obliged under contract to the Licensee or to any other Designated Pipe-line Operator to pay transmission charges in respect of a Gas Year;
“Minimum Quantity Value”	means any minimum quantity of gas (in kWh) in respect of which a PS Gas Supplier is obliged under contract to the Licensee or to any other Designated Pipe-line Operator to pay transmission charges in respect of a Gas Year or part thereof;
“Monthly Debt Payment Entitlement”	means the entitlement of a Designated Pipe-line Operator in respect of the Net Debt Position in a month, calculated in accordance with Condition 2A.6.1.2(b);
“Monthly Distribution”	has the meaning ascribed in Condition 2A.6.1.4,
“Monthly Entitlements”	means Monthly Postalised Entitlements and Monthly Debt Payment Entitlements;
“Monthly Postalised Capacity Payment”	means an amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.2(b);
“Monthly Postalised Commodity Payment”	means an amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.1(b);
“Monthly Postalised Entitlement”	means the entitlement of a Designated Pipe-line Operator in respect of Monthly Postalised Payments and any Auxillary Payment payable into the PoT Account in a month, calculated in accordance with Condition 2A.6.1.2(a)(i);
“Monthly Postalised Payments”	means Monthly Postalised Commodity Payments and Monthly Postalised Capacity Payments;

“Net Debt Position”	means a balance calculated in respect of a month with reference to PS Notified Debt and Recoveries in accordance with Condition 2A.3.4.3 and in respect of which a Debt Payment or Debt Repayment may be made;
“Non Payment Month”	means a month in which a relevant PS Non-Payment occurred;
<u>“Oversubscription Capacity”</u> or <u>“OS Capacity”</u>	<u>means in respect of a given time, an amount of additional capacity (in kWh/day) (not exceeding the Entry Point Additional Capacity) which is available for allocation on a firm basis or is allocated on a firm basis at an Exit Point, the exit points of other DPOs as defined in their licences, or a UC Exit Point for a duration of one Day as a result of the availability of Entry Point Additional Capacity and as determined in accordance with the OS Scheme and the Network Code;</u>
<u>“OS Charging Statement”</u>	<u>has the meaning given in the OS Conditions;</u>
<u>“OS Conditions”</u>	<u>means Condition 2A.2.1.17 to Condition 2A.2.1.27;</u>
<u>“OS Procedures”</u>	<u>has the meaning given to it in the OS Conditions;</u>
<u>“OS Scheme”</u>	<u>has the meaning given to it in the OS Conditions;</u>
<u>“OS Services”</u>	<u>has the meaning given in the OS Conditions;</u>
“Postalised Charges”	means the Forecast Postalised Charges and/or the Year-End Postalised Charges as the case may be;
“Postalisation Conditions”	means the Conditions in Part 2A, other than the STC / VRF Conditions (as defined in Condition 2A.2.1.6) <u>and the OS Conditions;</u>
“Postalised System” or “PS”	means the system comprising all gas pipe-lines designated as being subject to a common tariff pursuant to all orders made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003 in force at such time;
“PoT Account”	shall have the meaning ascribed to that term in Condition 2A.5.3.1(a)
“Primary DPO”	means the Designated Pipe-line Operator holding a licence to convey gas in respect of a part of the Postalised System on which the PS Gas Supplier is entitled to exit gas;
“PSA”	shall have the meaning ascribed to that term in Condition 2A.4.1.1;

“PS Actual Required Revenue (PSARR)”	means, in respect of a Gas Year, the sum of all Actual Required Revenues in respect of such Gas Year;
“PSA Agreement”	shall have the meaning ascribed to that term in Condition 2A.4.1.1;
“PSA Functions”	shall have the meaning ascribed to that term in Condition 2A.4.3.1;
“PS Actual Firm Capacity”	shall have the meaning ascribed to that term in Condition 2A.2.6.2;
“PS Annual Exit Quantity”	shall have the meaning ascribed to that term in Condition 2A.2.6.1;
“PS Forecast Annual Quantity”	shall have the meaning ascribed to that term in Condition 2A.2.5.1;
“PS Forecast Required Revenue (PSFRR)”	means in respect of a Gas Year the sum of all Forecast Required Revenues as such term is defined in each Respective Licence in respect of all Designated Pipe-line Operators in respect of such Gas Year;
“PS Gas Supplier”	means any person who is entitled to exit gas from the Postalised System;
“PS Initial Firm Capacity”	shall have the meaning ascribed to that term in Condition 2A.2.5.2;
“PS Non-Payment”	means: <ul style="list-style-type: none"> (i) the failure of a PS Gas Supplier to pay into the PoT Account all or part of the PS Transmission Payments due from it by the Due Date, or the clawback by an administrator or liquidator of the amount of any payment (or part of such payment) made into the PoT Account by a PS Gas Supplier in respect of a PS Transmission Payment; or (ii) the amount of PS Transmission Payments which the relevant PS Gas Supplier has failed to pay or the amount which is subject to clawback by an administrator or liquidator <p>as the context requires but shall not apply to any sums due under the Network Code upon termination of a PS Gas Supplier’s Accession Agreement in respect of periods after the date of termination;</p>
“PS Notified Debt”	means, at any time, the aggregate of PS Non-Payments, excluding any VAT element, which are at that time or were prior to that time the subject of a notification by a Designated Pipe-line Operator to the PSA as contemplated in Condition 2A.3.4.1 of such Designated Pipe-line Operator’s licence;

“PS Transmission Payments” means any amount payable by a PS Gas Supplier in respect of the provision of gas conveyance services on the Postalised System under Conditions 2A.2.2.1 (Monthly Postalised Payments); 2A.2.2.2 (Debt Payments); and 2A.2.2.3 (Reconciliation Payments); 2A.2.5.1(c) (Auxiliary Payments) and 2A.2.6.4 (Supplemental Payments) under each Designated Pipe-Line Operator’s Respective Licence;

“Quantity Figures” shall have the meaning ascribed to that term in Condition 2A.2.3.1(b);

“Quarter” means each successive three calendar month period in a Gas Year, the first of which shall run from and including 06:00 hours 01 October until 06:00 hours 01 January in that Gas Year; and “Quarterly” shall be construed accordingly;

“Quarterly Exit Quantity” means the aggregate of Exit Quantities in a Quarter;

“Reconciliation Payment” means the Capacity Reconciliation Payment and the Commodity Reconciliation Payment;

“Reconciliation Payment Formulae” means the formulae contained in Condition 2A.2.6.3 in accordance with which Reconciliation Payments shall be calculated;

“Recovery” means any amount (other than a Debt Payment) paid by or on behalf of a PS Gas Supplier either directly into the PoT Account or to a Designated Pipe-line Operator and subsequently paid by that Designated Pipe-line Operator into the PoT account, in full or partial satisfaction of any PS Notified Debt attributable to that PS Gas Supplier;

“Relevant Charge Date” shall have the meaning ascribed to that term in Condition 2A.2.5.4;

“Respective Licence” means in respect of each of the Designated Pipe-line Operators the licence for the conveyance of gas granted to it pursuant to Article 8(1) of the Order or that part of a combined licence relating to the conveyance of gas;

“Second Due Date” means, in respect of a PS Non-Payment which occurred in a Non-Payment Month, the fifteenth Business Day after the respective Due Date as stipulated in the Network Code;

“Separate Business”	<p>means each of the following businesses of the Licensee (as appropriate):</p> <ul style="list-style-type: none"> (i) the conveyance of gas through a transmission pipe-line pursuant to a licence granted in accordance with Article 8(1)(a) of the Order; (ii) the distribution of gas through distribution pipe-lines pursuant to a licence granted in accordance with Article 8(1)(a) of the Order; and (iii) the supply of gas pursuant to a licence granted in accordance with Article 8(1)(c) of the Order <p>each taken separately from one another and from any other business of the Licensee or any affiliate or related undertaking of the Licensee;</p>
“Supplemental Payment”	<p>means any sum (whether or not contingent) in addition to aggregate Monthly Postalised Payments which a PS Gas Supplier is committed to pay on an annual basis in respect of transmission through the Postalised System and which is calculated otherwise than on the basis of a minimum quantity of gas or minimum quantum of capacity;</p>
“Supply Business”	<p>means, where applicable, the Separate Business of the Licensee which carries on the business of the supply of gas;</p>
“Termination Payments”	<p>means any amount payable on the termination of a Gas Supplier’s Accession Agreement under the terms of the Network Code;</p>
“Terms of Reference”	<p>means the terms of that name appended to the Network Code which govern the operation of the Credit Committee;</p>
“Total Monthly Payments”	<p>shall have the meaning ascribed to that term in Condition 2A.3.4.3;</p>
“Transit”, “Transiting”	<p>or forms thereof, refers to the conveyance of gas through the Designated Network to another part of the Postalised System;</p>
“Transit Point”	<p>means a point of interconnection between the Designated Network and another pipe-line forming part of the Postalised System;</p>
“Trust and Account Bank Agreement”	<p>means the agreement in the form approved by the Authority and made between the Designated Pipe-line Operators, the Trustee and account bank which governs the operation of the PoT Account;</p>

“Trustee”	shall have the meaning ascribed to that term in Condition 2A.5.1.1;
“Trustee Function”	shall have the meaning ascribed to that term in Condition 2A.5.3.1;
“Undesignated Network”	means such part(s) of the network as it or are not from time to time comprised in the Designated Network;
<u>“UC Exit Point”</u>	<u>shall have the meaning given to it in Condition 3.1 of the Gas Conveyance Licence granted to Premier Transmission Limited on 3 March 2005;</u>
<u>“UC Gas Supplier”</u>	<u>shall have the meaning given to it in Condition 3.1 of the Gas Conveyance Licence granted to Premier Transmission Limited on 3 March 2005;</u>
“Unrecovered Postalisation Payments”	shall have the meaning ascribed to that term in Condition 2A.4.3.1(l);
“VAT Distributions”	means distributions made by the Trustee on the instructions of the PSA from the PoT Account as calculated in accordance with condition 2A.4.3.1 (d);
“Year-End Amount”	shall have the meaning ascribed to that term in Condition 2A.6.1.3;
“Year-End Postalisation Formulae”	means the formulae set out in Condition 2A.2.6;
“Year-End Postalised Capacity Charge”	means a charge applicable to each kWh/day of Firm Capacity held by each Gas Supplier for Exit from any part of the Designated Network in respect of a Gas Year in accordance with Condition 2A.2.6.2;
“Year-End Postalised Charge”	means the Year-End Postalised Capacity Charge and the Year-End Postalised Commodity Charge; and
“Year-End Postalised Commodity Charge”	means a charge applicable to each kWh of gas allocated to each Gas Supplier in respect of an Exit Point during a Gas Year in accordance with Condition 2A.2.6.1.

2A.1.2 Interpretation

In Part 2A all capitalised terms shall have the meaning ascribed to them in such part, notwithstanding any other definition of any such term elsewhere in the Licence. Capitalised terms within Part 2A which are not defined within such part shall have the meaning ascribed to them elsewhere in the Licence.

2A.1.3 Provision of Information

Nothing in Part 2A shall require the Licensee to produce any information or provide any document to any other party which the Licensee could not be compelled to produce or provide in any civil proceedings.

2A.1.4 Units of Measurement

For the avoidance of doubt:

- (a) the Licensee shall be entitled to invoice for any Postalised Charges in the unit of Mwh or Mwh/day, subject to the Authority's consent; and
- (b) where any measurement is to be expressed in Kwh or Kwh/day the Licensee may satisfy such obligations by using the Kwh or Kwh/day equivalent of a measurement expressed in Mwh or Mwh/day as the case may be;

Condition 2A.2 – Postalisation Charges

2A.2.1 Charges on the Designated Network

2A.2.1.1 In respect of the Gas Year commencing on or after the Designation Date and each Gas Year or part of a Gas Year thereafter for so long as and to the extent that a Designation Order is and remains in force in respect of all or part of the network, the Licensee shall be subject to the provisions of this Part 2A.

2A.2.1.2 The Licensee shall require all of its Gas Suppliers to make all payments in settlement of PS Transmission Payments, Termination Payments and all Recoveries into the PoT Account. For the avoidance of doubt, PS Transmission Payments shall include any relevant Termination Payments payable in respect of PS Transmission Payments relating to the Gas Year in which termination occurs.

2A.2.1.3 The Licensee shall pay all sums which it receives directly from, or on behalf of, any of its Gas Suppliers in respect of PS Transmission Payments and Recoveries into the PoT Account.

2A.2.1.4 Where the Licensee has a Distribution Business and/or a Supply Business it shall for the purposes of this Condition 2A deal with such Distribution Business and/or Supply Business as if each such Separate Business were a third party Gas Supplier, including but not limited to providing or procuring forecasts relating to each such Separate Business, issuing invoices to each such Separate Business relating to PS Transmission Payments and maintaining appropriate records of all dealings with each such Separate Business.

2A.2.1.5 As used in this Condition 2A.2 and in ~~Conditions 2A.1.6 to 2A.1.16:~~

- (a) **"Day", MDQ, and "PS Code Charges"** have the respective meanings given in the Network Code and / or (as the context requires) in the Network Codes of the other Designated Pipe-line Operators;
- (b) **"Gas Year 2011 / 12"** means the Gas Year which commenced on 1 October 2011;
- (c) **"Gas Year 2012 / 13"** means the Gas Year commencing on 1 October 2012;

- (d) "Gas Year 2013 / 14" means the Gas Year commencing on 1 October 2013; and
- (e) The "**Threshold Amount**" or "Threshold Quantity" means an amount or quantity equal to 5% of the aggregate of the MDQs represented by Firm Capacity (as defined in 2A.1.1) allocated at Exit Points on the designated Network

2A.2.1.6 The Licensee shall offer:

- (a) firm and interruptible third party access services down to a period of one day; and
- (b) an interruptible virtual reverse flow service,

(the services referred to in (a) and (b) above being respectively the "**Short Term Capacity Service**" (or the "**STC Service**") and the "**Virtual Reverse Flow Service**" (or the "**VRF Service**") and together the "**STC / VRF Services**") and, in order to facilitate the provision of the STC/VRF Services, this Licence has been modified by the incorporation of the Conditions numbered 2A.2.1.5 to 2A.2.1.16 (such Conditions being together the "**Short Term Capacity / Virtual Reverse Flow Conditions**" (or the "**STC / VRF Conditions**") and the remaining Conditions of this Part 2A being the "**Postalisation Conditions**") except for the OS Services referred to in Condition numbered 2A.2.1.17 to 2A.2.1.27 (the **OS Conditions**).

Modifications having equivalent effect have been made to the Respective Licences of each other Designated Pipe-line Operator.

2A.2.1.7 In applying or giving effect to the Conditions in this Part 2A

- (a) it shall be conclusively presumed that the amounts payable to the Licensee in respect of the charges described in Condition 2A.2.1.9 (and the amounts payable in respect of the like charges described in the corresponding Condition of the Respective Licences of the other Designated Pipe-line

Operators) do not constitute PS Transmission Payments and are not to be paid into the PoT Account;

- (b) it shall be conclusively presumed that Daily Capacity allocated pursuant to the Network Code (and / or, as the context requires, the Network Code of any other Designated Pipe-line Operator) does not constitute (and shall not be taken into account in any calculation of) Actual Firm Capacity, Firm Capacity, GS Firm Capacity, Initial Firm Capacity or PS Initial Firm Capacity; and
- (c) any gas which is allocated to a Gas Supplier at any Exit Point on the Designated Network pursuant to any use of the VRF Service shall be disregarded in any calculation of Exit Quantity, Annual Exit Quantity, Forecast Supplier Quantity, Forecast Annual Quantity, GS Annual Exit Quantity, Gas Suppliers' Exit Quantities, PS Forecast Annual Quantity or PS Annual Exit Quantity either as defined in this Licence or the Respective Licence of any other Designated Pipe-line Operator which falls to be made pursuant to the Postalisation Conditions.

2A.2.1.8 The following provisions shall also apply:

- (a) subject to (c) below, each Gas Supplier shall, in respect of each kWh of gas which is allocated to that Gas Supplier at any Exit Point on the Designated Network, be liable to pay the same commodity based charge as each other Gas Supplier for whom gas is exited anywhere on the Designated Network, irrespective of whether the Gas Supplier's entitlement to the allocation of gas arises from the utilisation of Firm Capacity (as defined in Condition 2A.1.1) or from the utilisation of Daily Capacity, OS Capacity or Available Interruptible Capacity allocated pursuant to the Network Code;
- (b) such commodity based charge shall constitute PS Transmission Payments for all the purposes of this Licence and the respective licences of the other Designated Pipeline Operators, without in any way limiting the foregoing,
 - (i) the Licensee shall require all of its Gas Suppliers to make all payments in respect of such charge into the PoT Account and
 - (ii) the Licensee shall

pay all sums which it receives directly from, or on behalf of, any of its Gas Suppliers in respect of such charges into the PoT Account; and

- (c) no commodity based charge (or, other than as referred to in Conditions 2A.2.1.9(b) or 2A.2.1.11, any other charge) shall be payable by a Gas Supplier in respect of any gas which is allocated to that Gas Supplier at any Exit Point where the allocation is made pursuant to a utilisation of the VRF Service.

2A.2.1.9 The Licensee shall charge each of its Gas Suppliers to whom it provides the STC / VRF Services the following amounts, namely:

- (a) in respect of each kWh / day of Daily Capacity which is allocated in respect of a given Day, an amount equal to the capacity charge per kWh applicable for that Day, as determined pursuant to the charging methodology statement approved by the Authority pursuant to Condition 2A.2.1.10 for the Gas Year in which that Day falls; and
- (b) in respect of each provision of the VRF Service, the charge for such provision which is applicable at the relevant time, as determined pursuant to the charging methodology statement approved by the Authority from time to time.

2A.2.1.10 Not later than the date on which this Licence is modified by the incorporation of this Condition, the Licensee shall publish a charging methodology statement approved by the Authority (and in a manner so approved) showing the charges referred to in Condition 2A.2.1.9(a) and (b) in respect of (i) the Day which commences on 1 July 2012 and each subsequent Day in the Gas Year 2011 / 12 and (ii) each Day in the Gas Year 2012 / 13. The Licensee shall, not later than 1 July in the Gas Year 2012 / 2013 and in each subsequent Gas Year, publish a charging methodology statement approved by the Authority (and in a manner so approved) showing the charges referred to in Condition 2A.2.1.9(a) and (b) in respect of each Day in the forthcoming Gas Year.

- 2A.2.1.11 Nothing in this Licence shall prejudice the right of the Licensee to impose on and recover from any Gas Supplier to whom it provides the STC / VRF Services or OS Services any PS Code Charges which are payable by that Gas Supplier in respect of the STC / VRF Services or OS Services pursuant to the Network Code.
- 2A.2.1.12 Notwithstanding any Condition of this Licence which may otherwise prohibit it from doing so, the Licensee shall apply charges in respect of the STC / VRF Services in accordance with the STC / VRF Conditions and the relevant provisions of the Network Code and (if and to the extent such would otherwise would be the case) the application of such charges shall not constitute a contravention of any of the Conditions of this Licence. The Conditions of this Licence (other than the STC / VRF Conditions) shall accordingly be read and given effect to accordingly.
- 2A.2.1.13 For the avoidance of doubt, the charges described in Condition 2A.2.1.9 shall not be subject to reconciliation or other adjustment on any ground following the end of a Gas Year (including the ground that forecast costs or other amounts differ from the corresponding outturn costs or other amounts).
- 2A.2.1.14 If the aggregate of the MDQs represented by Daily Capacity allocated at Exit Points on the Designated Network in respect of any period of twelve (12) consecutive months exceeds the Threshold Amount (or is forecast by the Licensee to be exceeded in respect of any period of twelve (12) consecutive months) the Licensee may give notice to the Authority stating that the Licensee wishes to secure the making of modifications to this Licence and the Network Code (and to the Respective Licences and Network Codes of other Designated Pipeline Operators) which will have the effect that the amounts payable to the Licensee in respect of such charges are postalised and brought within the regime for postalised charging applicable under the Postalisation Conditions (such modifications being the “required modifications”)
- 2A.2.1.15 The Authority may at any time (and irrespective of whether or not the circumstance described in Condition 2A.2.1.14 has occurred) give notice to the Licensee stating that the Authority wishes to secure the making of the required modifications.

2A.2.1.16 If the Licensee gives notice pursuant to Condition 2A.2.1.14 or the Authority gives notice pursuant to Condition 2A.2.1.15, the Licensee shall co-operate with the Authority in taking and implementing the steps which are necessary in order to secure the making of the required modifications.

Capacity increase through oversubscription and buy back scheme

2A.2.1.17 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.

2A.2.1.18 If the Authority does not approve the OS Scheme submitted to it, the Authority may issue a direction requiring the Licensee and every other Designated Pipe-line Operator to make such modifications to the OS Scheme which have been submitted to it as are specified in the direction.

2A.2.1.19 The Licensee shall implement and comply with the OS Scheme.

2A.2.1.20 The OS Scheme shall:

- (a) set out the circumstances in which (and the basis on which) the Licensee will:
 - (i) offer to allocate, and allocate, OS Capacity;
 - (ii) offer to purchase, and purchase, Buy-Back Capacity,
collectively referred to as the “OS Services”;
- (b) set out the methodology for determining the Entry Point Additional Capacity and the amount of OS Capacity that may be offered at a given time in respect of a given Exit Point, the exit points of other DPOs as defined in their licences, and a UC Exit Point;
- (c) include a charging methodology statement which sets out the methodology for determining the charges for the provision of OS Services (the “OS Charging Statement”);

- (d) include provisions setting out the basis on which (and times at which) net revenues received in respect of the provision of OS Services are to be apportioned, such provisions to include:
- (i) the definition of net revenues by reference to which such apportionment is to be made;
 - (ii) the proportions as determined by the Authority (from time to time) which shall apply to the apportionment of the net revenues, received in respect of the provision of the OS Services, between (i) the Licensee and any other Designated Pipe-line Operator, and (ii) Gas Suppliers, PS Gas Suppliers and the UC Gas Supplier; and
 - (iii) the timing of such payments following apportionment; and
- (e) comply with the requirements of point 2.2.2 of Annex 1 to the EC Regulation.
- 2A.2.1.21 The processes and procedures to be adopted for the purposes of implementing the OS Scheme, allocating OS Capacity and purchasing Buy-Back Capacity shall be set out in the Licensee's Network Code (the "OS Procedures").
- 2A.2.1.22 The Licensee shall not impose or make payments of (as the case may be) charges in respect of the provision of OS Services which are applicable at the relevant time of provision, other than as set out in (or as determined in accordance with) the OS Charging Statement.
- 2A.2.1.23 Without limiting Conditions 2A.2.1.8(a) and (b) the charges referred to in Condition 2A.2.1.20(c) and 2A.2.1.22 shall, in respect of a Gas Year, not be subject to reconciliation or other adjustment on any ground.
- 2A.2.1.24 The Licensee shall 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.
- 2A.2.1.25 The Licensee shall:
- (a) not make any changes to the OS Scheme (including the OS Charging Statement) without the prior written approval of the Authority;

- (b) in cooperation and conjunction with other Designated Pipe-line Operators, make such changes to the OS Scheme as are set out in any direction issued, to the Licensee and other Designated Pipe-line Operators, by the Authority;
- (c) publish the most up to date and approved OS Scheme in a manner that will bring it to the attention of interested parties and provide a copy on request to any person.

2A.2.1.26 In applying or giving effect to the Conditions in this Part 2A (but without limiting Conditions 2A.2.1.8(a) and (b)) it shall be conclusively presumed that:

- (a) the amounts payable to the Licensee for the allocation of OS Capacity (and the amounts payable to any other Designated Pipe-line Operator for the allocation of capacity which is defined as OS Capacity in the Respective Licence of such Designated Pipe-line Operator), do not constitute PS Transmission Payments and are not to be paid into the PoT Account; and
- (b) any OS Capacity allocated pursuant to the Network Code (and / or, as the context requires, the Network Code of any other Designated Pipe-line Operator) in accordance with the OS Scheme does not constitute (and shall not be taken into account in any calculation of) Actual Firm Capacity, Firm Capacity, GS Firm Capacity, Initial Firm Capacity or PS Initial Firm Capacity.

2A.2.1.27 The Licensee shall, notwithstanding any other contrary provision in any of the Conditions of this Licence, apply charges for OS Capacity allocated (and pay for any Buy-Back Capacity bought) in accordance with the OS Scheme and the relevant provision of the Licensee's Network Code and (if and to the extent it would otherwise would be the case) the application of such charges shall not constitute a contravention of any of the Conditions of this Licence.

2A.2.2 Charging methodology for the conveyance of gas

2A.2.2.1 Subject to Condition 2A.2.2.5, the Licensee shall charge each of its Gas Suppliers in respect of the Exit of gas from, and holding of capacity on, the Designated Network the Monthly Postalised Payments in respect of each month or part thereof in a Gas Year in accordance with the terms of this Licence and the applicable provisions of the Network Code.

- 2A.2.2.2 The Licensee shall charge each of its Gas Suppliers any Debt Payment payable by them in accordance with any Debt Notice; and shall reduce any relevant invoice in respect of Monthly Postalised Payments by the amount of any Debt Repayment in accordance with any Debt Notice in each case in accordance with the terms of this Licence and the applicable provisions of the Network Code.
- 2A.2.2.3 On or before the 10th Business Day in December following the end of each Gas Year in respect of which the Licensee has charged Monthly Postalised Payments to a Gas Supplier pursuant to Condition 2A.2.2.1 the Licensee shall, subject to Condition 2A.2.2.5, charge to such Gas Supplier any Supplemental Payment, and charge or repay (as appropriate) to such Gas Supplier a Commodity Reconciliation Payment and a Capacity Reconciliation Payment applicable in respect of that Gas Year calculated in accordance with the Reconciliation Payment Formulae in Condition 2A.2.6.3.
- 2A.2.2.4 Unless the Authority otherwise expressly consents in writing the Licensee shall apply no charge on the Postalised System other than the PS Transmission Payments or as otherwise permitted under the Licence or the Network Code.
- 2A.2.2.5 The Licensee shall acknowledge that each PS Gas Supplier's obligation to pay PS Transmission Payments shall be consideration for the allocation by the Licensee to such PS Gas Supplier, their nominee or agent (such nominee or agent to be a PS Gas Supplier or otherwise approved by the Authority) of both Firm Capacity at a Transit Point on the Designated Network and the relevant quantity of gas for exit at a Transit Point for the purpose of the Transit of such gas.