

Claire Madden
GNI (UK) Ltd
PO Box 51
Gasworks Road
Cork

Ref: CNO/G/TH/373

18th May 2018

Dear Claire,

Re: Consultation on Granting of WTL Security Consent

As you are aware, the Northern Ireland Authority for Utility Regulation (the Authority) has granted a licence to WTL (West Transmission Limited)¹ in February 2015 to convey gas to the Gas to West area. Consistent with their original licence application WTL is working in partnership with SGN (SGN Natural Gas Limited) to deliver the network. SGN is responsible for constructing and financing the network prior to it being handed over to WTL. A key part of the licence application bid was the proposal for WTL to raise finance by raising a bond to pay SGN for their investment.

With our consent, WTL has since explored the feasibility of raising the necessary finance pre-construction as opposed to post construction as originally intended. Expert advice provided by Moody's and BNP Paribas has led WTL to conclude that pre-construction financing is not only feasible but can also be achieved at no premium to the financiers in relation to post construction financing. On this basis and taking account of the historically low cost of debt for corporate bonds, WTL has sought our agreement to go to market in the first half of 2018 while the main pipeline network is still being constructed.

We have reviewed the WTL proposal and are content, based on our own independent expert advice that pre-construction financing is both feasible and beneficial to consumers. It should be noted however that any final decision to proceed will only be made at the point at which the bond agreement is signed and a Direction is issued by the Authority.

¹ The licence was granted to Northern Ireland Energy Holdings Limited on 11 February 2015. The company changed its name to West Transmission Limited on 28 April 2015.

You may be aware that we have issued, on 28 March 2018, a consultation on proposed modifications to the WTL licence to facilitate pre-construction financing². The related decision was published on 9 May 2018³.

In addition to these licence modifications, a further pre-requisite for completion of the WTL financing is the granting of security over its network by WTL to the Security Trustee. This will be required in any case, regardless of whether the finance is raised pre-or post-construction of the network.

In this context, WTL has asked the Authority to provide a security consent letter. The purpose of this letter will be to consent to the entry into the WTL Security Documents by WTL in so far as such consent is required. A draft of the security consent letter is provided as an annex to this letter. We note that the draft is provisional at this stage, and that in particular Schedules 1 and 2 will need to be updated once the text of the Finance Documents is finalised.

Consideration also needs to be given to Condition 1.12 of the WTL conveyance licence. The granting of security over the network constitutes a disposal which requires the Authority's consent. The Authority can give such consent under Condition 1.12.4 of the WTL licence where it has "consulted and taken into consideration any representations made in a timely manner by any other licence holder liable to be materially affected by the disposal in question", in line with Condition 1.12.5 of the WTL licence.

As we consider that GNI (UK) may constitute such an "other licence holder liable to be materially affected by the disposal". Therefore, we are providing GNI (UK) with an opportunity to provide comments on the proposed disposal, i.e. the granting of security over the WTL network by WTL to the Security Trustee. We would welcome any representations GNI (UK) may wish to make on this matter by 1 June 2018 at 12noon at the latest. Your response should be sent to:

Veronika Gallagher
Utility Regulator
Queens House
14 Queens Street
Belfast BT1 6ED
Email: Gas_networks_responses@uregni.gov.uk with cc to
veronika.gallagher@uregni.gov.uk

² [Utility Regulator: WTL Facilitating Pre-Construction Financing, Proposed Modification of Gas Conveyance Licence, Notice under Article 14\(2\) of the Gas \(Northern Ireland\) Order 1996, Consultation, 28 March 2018.](#)

³ [Utility Regulator: Modification of West Transmission Gas Conveyance Licences – Pre-construction Financing, Decision Paper, 9 May 2018.](#)

If, prior to submitting your response, you wish to discuss this matter in more detail, please contact Veronika Gallagher under the email addresses provided above.

Yours sincerely,



Tanya Hedley
Director of Compliance and Network Operations
For and on behalf of NIAUR

Annex 1: Draft of Authority Security Consent Letter

Copy to:

Paddy Larkin - WTL

Gerard McIlroy - WTL

AUTHORITY SECURITY CONSENT LETTER

- To:
1. West Transmission Limited ("WTL") of First Floor, The Arena Building, 85 Ormeau Road, Belfast B7 1SH;
 2. West Transmission Financing plc (the "Issuer") of First Floor, The Arena Building, 85 Ormeau Road, Belfast B7 1SH;
 3. West Transmission Holdings Limited ("Holdings") of First Floor, The Arena Building, 85 Ormeau Road, Belfast B7 1SH;
 4. Mutual Energy Limited ("MEL" and, together with WTL, the Issuer and Holdings, the "Companies") of First Floor, The Arena Building, 85 Ormeau Road, Belfast B7 1SH; and
 5. [●] (the "Security Trustee").

Dear Sirs

Consent to disposal of assets pursuant to Condition 1.12 of the Conveyance Licence granted to West Transmission Limited

1. We refer to the financing of the Gas to the West Project which the Companies have informed us will be by way of an issue of bonds (the "Financing") by the Issuer, which the Companies have confirmed is an indirect wholly-owned subsidiary of MEL, a company limited by guarantee with no shareholders.
2. Pursuant to the Financing, the Companies have informed us that WTL, the Issuer and Holdings each intend to enter into the security documents listed in Part I of Schedule 1 hereto ("Security Documents") to which they are respectively expressed to be a party, whereby:
 - (a) in the case of WTL, it will grant security over, *inter alia*, the Network (as defined in Condition 1.1.6 of the conveyance licence granted to WTL on 11 February 2015 (the "WTL Licence"));

(b) in the case of the Issuer, it will grant security over, *inter alia*, the issued share capital of WTL; and

(c) in the case of Holdings, it will grant security over, *inter alia*, the issued share capital of the Issuer,

in each case in favour of the Security Trustee on behalf of, *inter alia*, the holders of the bonds to be issued pursuant to the Financing.

3. The Companies have provided us with drafts of the Security Documents and with a Summary of the Principal Terms of the Financing (which is attached at Schedule 2 hereto, and which includes at its section 5 a summary of the Security Documents).
4. We have been assured by the Companies that the terms of the Security Documents at the time at which they are entered into will not be materially different from the terms set out in the drafts that were provided to us, and that the Summary of the Principal Terms of the Financing is complete and factually accurate in all material respects.
5. We have reviewed these documents in the light of the assurances given to us, and the consent set out in this letter is granted on the basis that those assurances are reliable.
6. Condition 1.12 of the WTL Licence provides that, subject to certain exceptions, WTL may not, without the consent of the Northern Ireland Authority for Utility Regulation (the "Authority"), dispose of a relevant asset or relinquish operational control over a relevant asset if the disposal or relinquishing of control would materially affect WTL's ability to discharge its obligations under the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 or the carrying on of the activities authorised or required by the WTL Licence.
7. Notwithstanding that the Companies have confirmed to us that the entering into by WTL of the Security Documents listed in Part 2 of Schedule 1 hereto (the "WTL Security Documents") – whereby WTL will grant security over, *inter alia*, the Network – will not materially affect WTL's ability to discharge its obligations under the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 or the carrying on of the activities authorised or required by the WTL Licence,

the Companies have sought the consent of the Authority to the entering into by WTL of the WTL Security Documents.

8. To the extent that the entering into of the WTL Security Documents represents a disposal of or a relinquishment of operational control over a relevant asset having a material effect on WTL's ability to discharge its obligations under the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 or the carrying on of the activities authorised or required by the WTL Licence, the Authority hereby consents to the entry into the WTL Security Documents by WTL.
9. This consent shall have effect on the date of this letter.
10. In addition, we confirm that the granting of the security created by the Security Documents will not be taken to constitute a transfer by WTL to another person of part or all of its gas conveyance business within the meaning of Condition 1.11 of the WTL Licence.
11. Terms used in this letter which are not defined herein but are defined in the WTL Licence shall have the same meaning as they have in the WTL Licence.
12. References in this letter to "we" and "us" are references to the Authority.

Yours faithfully

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

