

THE NORTHERN IRELAND FUEL SECURITY CODE

(Designated by the Department of Economic Development
as at 31 March 1992
as a condition of licences
granted under Article 10
of the Electricity (Northern Ireland) Order 1992)

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PART 1

INTERPRETATION

1. NAME

This Code shall be known as the "Northern Ireland Fuel Security Code".

2. DEFINITIONS

In this Code, except where the context otherwise requires:

"Active Energy" means the electrical energy produced, flowing or supplied by an electrical circuit during a time interval, and being the integral with respect to time of the instantaneous power, measured in units of watt-hours or standard multiples thereof, that is:

1000 Wh	=	1 kWh
1000 kWh	=	1 MWh
1000 MWh	=	1 GWh
1000 GWh	=	1 TWh;

"allowed security cost" means:

- (A) in relation to the Power Procurement Manager, all or any part of a cost which has become due and payable by the Power Procurement Manager and which forms part of:
- (i) (a) the Recoverable Anticipatory Costs (if any) of each Generator;
 - (b) the sum calculated in paragraphs 2.06 and 2.07 of Part 5 in relation to each Generator for a particular Security Period; or
 - (c) the Recoverable Long Term Security Costs (if any) of each Generator for a particular Security Period,
- which has been incurred by the Power Procurement Manager together with any Security Interest (which is a positive amount) for each Generator in relation to a particular Security Period; or
- (ii) insofar as such cost does not form part of any of the costs referred to in sub-paragraph (A)(i) of this definition:
- (a) the Recoverable Anticipatory Costs (if any) of the Power Procurement Manager;

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"Audited Security Period Revenue" in relation to a particular Generator for a particular Security Period, means the total revenue (excluding interest income and any relief, allowance or credit in respect of any taxes on gross or net income, profits or gains or any deduction in computing income, profits or gains for the purposes of any such taxes) earned by that Generator in respect of that Security Period in carrying on its Generation Business (including, for the avoidance of doubt, all amounts recovered in respect of any Anticipatory Cost of that Generator the due date for payment of which fell on or after the commencement of that Security Period but before the expiry of that Security Period) as reported by the Independent Auditors in accordance with Part 5;

"Auditors" of a Licence Holder, means:

- (A) in relation to a company, that Licence Holder's auditors for the time being holding office in accordance with the requirements of the Companies (Northern Ireland) Order 1986; and
- (B) in relation to any other description of person, a person who is a member of one or more of the following bodies:
 - [(i) the Institute of Chartered Accountants of Northern Ireland;]
 - (ii) the Institute of Chartered Accountants in England and Wales;
 - (iii) the Institute of Chartered Accountants of Scotland;
 - (iv) the Chartered Association of Certified Accountants; or
 - (v) the Institute of Chartered Accountants in Ireland;

"Claim" in relation to a particular Licence Holder for a particular Claims Period, means a claim prepared and delivered by that Licence Holder to the Director in accordance with Section 1 of Part 6;

"Claims Period" in relation to a Security Period, means the period of five years commencing on the date of expiry of that Security Period and ending on the day before the fifth anniversary of that date;

"Collection Bank" means a town clearing branch of a member of the Committee of the London and Scottish Clearing Banks (as constituted from time to time);

"Competent Authority" means the Department, the Director and any local or national agency, authority, department, inspectorate, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, the United Kingdom or the European Community;

- (b) the Recoverable Security Period Costs (if any) of the Power Procurement Manager for a particular Security Period; or
 - (c) the Recoverable Long Term Security Costs (if any) of the Power Procurement Manager for a particular Security Period;
- (B) in relation to the Transmission and Distribution Business of NIE(TDS), all or any part of a cost which has become due and payable by the Transmission Licensee and which forms part of:
- (i) the Recoverable Anticipatory Costs (if any) of NIE(TDS) in respect of its Transmission and Distribution Business; or
 - (ii) the Recoverable Security Period Costs (if any) of NIE(TDS) in respect of its Transmission and Distribution Business for a particular Security Period; or
 - (iii) the Recoverable Long Term Security Costs (if any) of NIE(TDS) in respect of its Transmission and Distribution Business for a particular Security Period,

together with any Security Interest (which is a positive amount) for NIE(TDS) in respect of its Transmission and Distribution Business in relation to a particular Security Period;

"Anticipatory Cost" in relation to a particular Licence Holder, means a cost which the Director has agreed under Sub-clause 3.01 of Part 3 should be incurred by that Licence Holder (in the case of a Generator, in carrying on its Generation Business or, in the case of NIE(TDS), in carrying on its Transmission and Distribution Business or its Power Procurement Business) in anticipation of a possible Security Period (whether or not such contemplated Security Period subsequently commences);

"Apparatus" means all equipment in which electrical conductors are used or supported or of which they may form a part;

"Audited Security Period Profit" (or loss) in relation to a particular Generator for a particular Security Period, means an amount (which, in the case of a loss, shall be expressed as a negative figure) calculated by deducting the aggregate of all Recoverable Security Period Costs of that Generator for that Security Period from the Audited Security Period Revenue of that Generator for that Security Period;

Period is more than 3 months in duration, LIBOR shall be determined on the basis of successive 3 month periods (or part thereof (as the case may be) if the final period is not an integral multiple of 3 months);

"Licences" means all Generation Licences, PES Licences, Second Tier Supply Licences and Transmission Licences and "Licence" means any or (as the context may require) a particular one of them;

"Licence Holder" means the holder for the time being of a Licence;

"Long Term Security Cost" means:

- (A) in relation to a particular Generator for a particular Security Period, any additional cost, incurred by that Generator after that Security Period in carrying on its Generation Business which was:
 - (i) necessarily and properly incurred;
 - (ii) incurred in good faith and on arm's length terms;
 - (iii) insofar as the following basis is consistent with paragraphs (A)(i) and (A)(ii) of this definition, incurred on a basis consistent with commercial practices and procedures that were normal and prudent; and
 - (iv) incurred after all reasonable efforts had been taken to establish that no practicable alternative course of action (or inaction) was available at a lower cost, and which but for that Security Period would not have been incurred;
- (B) in relation to NIE(TDS) in respect of its Transmission and Distribution Business for a particular Security Period, any additional cost incurred by NIE(TDS) in respect of its Transmission and Distribution Business after that Security Period which was:
 - (i) necessarily and properly incurred;
 - (ii) incurred in good faith and on arm's length terms;
 - (iii) insofar as the following basis is consistent with paragraphs (B)(i) and (B)(ii) of this definition, incurred on a basis consistent with commercial practices and procedures that were normal and prudent; and

"Customer" means a person to whom electrical power is provided (whether or not he is the provider of such electrical power);

"Distribution System" has the meaning ascribed to it in the Transmission and Public Electricity Supply Licences;

"electricity" means Active Energy and Reactive Energy;

"Fuel Supplies Committee" has the meaning ascribed to that term in Clause 4 of Part 3;

"Generation Set" means any Plant or Apparatus for the production of electricity;

"Generating Unit Agreement" means an agreement made with effect from 31 March 1992 between a Generator and the Power Procurement Manager in respect of a single Generation Set;

"Generation Business" in relation to a particular Generator, has the meaning from time to time ascribed to that term in the Generation Licence granted to that Generator;

"Generation Licence" means a licence granted or to be granted under Article 10(1)(a) of the Order;

"Generator" means a person who generates electricity under a Generation Licence;

"Grid Code" means the Grid Code drawn up pursuant to the Transmission and Public Electricity Supply Licences, as from time to time revised in accordance with the Transmission Licence;

"GW" means Gigawatt;

"GWh" means Gigawatt-hour;

"Independent Auditor" means an auditor specified for this purpose from time to time by the Director;

"kW" means kilowatt;

"kWh" mean kilowatt-hour;

"LIBOR" for a particular month or part of a particular month or for the Security Period as a whole (if 3 months or less), means the arithmetic average of the respective rates per annum quoted by three Collection Banks (specified for this purpose from time to time by the Director) as the rate at which one month deposits for a sterling amount of £25 million are offered to leading Banks in the London Interbank Market at or about 11.00 a.m. on the first Business Day of that month, part of month, or Security Period as the case may be, provided that if any of such Collection Banks shall be unable or otherwise fails to quote such offered rates by 1.00 p.m. on the relevant Business Day, the same shall be determined on the basis of the quotations of the remaining Collection Banks and if the Security

"NIE(TDS)" means Northern Ireland Electricity plc for so long as it shall be the holder of the Transmission and PES Licences;

"Notional Security Period Profit" in relation to a particular Generator for a particular Security Period, means the amount calculated in relation to that Generator for that Security Period in accordance with the formula set out in Schedule 7;

"MVAr" means megavar;

"MW" means megawatt;

"MWh" means megawatt-hour;

"Order" means the Electricity (Northern Ireland) Order 1992;

"Payment Instruction" means an instruction in the form set out in Schedule 5;

"PES Licence" means the licence granted under Article 10(1)(c) of the Order to Northern Ireland Electricity plc;

"Plant" means fixed and movable items used in the generation and/or supply and/or transmission of electricity, other than Apparatus;

"Power Procurement Business" means the business of the Transmission Licensee as Power Procurement Manager;

"Power Procurement Manager" means the Transmission Licensee when it is performing or required to perform its obligations as such under the Transmission Licence;

"Power Purchase Agreement" means a contract for the provision to the Power Procurement Manager of the whole or any part of the available capacity and/or the sale or other disposal to the Power Procurement Manager of the whole or any part of the output of a Generation Set or combination of Generation Sets, and shall include the Power Station Agreement and each of the Generating Unit Agreements for the Generation Sets in the relevant Power Station;

"Power Station" means an installation comprising one or more Generation Sets (even where sited separately), owned and/or controlled by the same Generator, which may reasonably be considered as being managed as one Power Station;

"Power Station Agreement" means an agreement made with effect from 31 March 1992 between the Generator and the Power Procurement Manager in relation to matters concerning a Power Station and designated for the purposes of this Code;

"Public Electricity Supplier" or "PES" means a person who is a public electricity supplier (as that expression is defined in Part II of the Order);

- (iv) incurred after all reasonable efforts had been taken to establish that no practicable alternative course of action (or inaction) was available at a lower cost,

and which but for that Security Period would not have been incurred; and

- (C) in relation to the Power Procurement Manager for a particular Security Period, any additional cost incurred by the Power Procurement Manager after that Security Period which was:

- (i) necessarily and properly incurred;

- (ii) incurred in good faith and on arm's length terms;

- (iii) insofar as the following basis is consistent with paragraphs (C)(i) and (C)(ii) of this definition, incurred on a basis consistent with commercial practices and procedures that were normal and prudent; and

- (iv) incurred after all reasonable efforts had been taken to establish that no practicable alternative course of action (or inaction) was available at a lower cost,

and which but for that Security Period would not have been incurred, apart from, in respect of any of paragraphs (A), (B) and (C) of this definition, any cost falling into any of the following categories:

- (AA) that proportion of any cost incurred after the relevant Security Period which is or shall be recoverable out of any grant, subsidy, support or other form of allowance from any Competent Authority;
- (BB) taxes on gross or net income, profits or gains and value added and similar taxes (to the extent that such value added and similar taxes are recoverable), together with all penalties, charges and interest relating to any of them and regardless of whether any of the same are chargeable or attributable to the relevant Licence Holder or to any other person;
- (CC) costs which derive from events occurring after the expiry of the relevant Security Period and which relate to a prior period under the accruals concept as set out in the Statement of Standard Accounting Practice No. 2 (as amended) or any replacement of that Statement;
- (DD) Security Interest;
- (EE) any amount which any Licence Holder is entitled to recover as a consequence of any determination made by the Director under Part 5 of this Code; and
- (FF) Recoverable Anticipatory Costs or Recoverable Security Period Costs;

"Security Interest" means:

- (A) in relation to a particular Generator for a particular Security Period, any amount (whether positive or negative) that, with the approval of the Director or at his direction in accordance with Sub-clause 2.07 of Part 5, is produced by:
- (i) aggregating any amounts calculated in accordance with paragraphs (ii) and (iii) of Sub-clause 2.07 of Part 5; and
 - (ii) deducting from the figure established pursuant to paragraph (A)(i) of this definition the sum of any amounts calculated in accordance with paragraphs (iv) and (v)(b) of Sub-clause 2.07 of Part 5; and
 - (iii) adding to the figure established pursuant to paragraphs (A)(i) to (A)(ii) of this definition any amount to which that Generator is entitled pursuant to Sub-clause 2.08 of Part 5; and
 - (iv) deducting from the figure established pursuant to paragraphs (A)(i) to (A)(ii) of this definition any amount for which that Generator is liable pursuant to Sub-clause 2.08 of Part 5;
- (B) in relation to NIE(TDS) in respect of its Transmission and Distribution Business for a particular Security Period, any amount calculated in relation to NIE(TDS) in respect of its Transmission and Distribution Business in accordance with Sub-clause 2.05 of Part 5 by, or subject to the approval of, the Director;

"Security Period" means a period commencing on the date on which any direction issued by the Department under Article 37(4)(b) of the Order enters effect and terminating on the date (being not earlier than the date such direction, as varied, is revoked or expires) as the Director, after consultation with such persons (including, without limitation, Licence Holders liable to be principally affected) as he shall consider appropriate, may with the consent of the Department by notice to all Licence Holders determine, after having regard to the views of such persons;

"Security Period Cost" means:

- (A) in relation to a particular Generator for a particular Security Period, any cost incurred by that Generator during that Security Period in carrying on its Generation Business, any Anticipatory Cost of that Generator the due date for payment of which fell on or after the commencement of that Security Period but before the expiry of that Security Period, and any cost incurred on or after the expiry of that Security Period in purchasing replacements of stocks of fuel which were

"Reactive Energy" means the integral with respect to time of the instantaneous Reactive Power;

"Reactive Power" means the product of voltage and current and the sine of the phase angle between them measured in units of voltamperes reactive and standard multiples thereof, that is

1000 VAR = 1kVAR
1000 KVAR = 1MVAR;

"Recoverable Anticipatory Cost" in relation to a particular Licence Holder, means an Anticipatory Cost of that Licence Holder the due date for payment of which falls (A) before the commencement of a Security Period or (B) on or after the expiry of a Security Period which commences after the agreement under Sub-clause 3.01 of Part 3 in respect of that Anticipatory Cost was reached;

"Recoverable Long Term Security Cost" in relation to a particular Licence Holder, means a cost claimed by that Licence Holder which the Director has determined, in accordance with Part 6, is a Long Term Security Cost;

"Recoverable Security Period Cost" in relation to a particular Licence Holder, means a cost claimed by that Licence Holder which the Director has determined, in accordance with Part 5, is a Security Period Cost;

"Retail Prices Index" in relation to a particular Licence Holder, means the general index of retail prices published by the Department of Employment each month in respect of all items or:

- (A) if the index for any month in any year shall not have been published on or before the last day of the third month after such month, such index for such month or months as the Director may after consultation with that Licence Holder determine to be appropriate in the circumstances; or
- (B) if there is a material change in the basis of the index, such other index as the Director may after consultation with that Licence Holder determine to be appropriate in the circumstances;

"Second Tier Supplier" means a person who holds a Second Tier Supply Licence;

"Second Tier Supply Licence" means a licence granted or to be granted under Article 10(2) of the Order;

- (iii) insofar as the following basis is consistent with paragraphs (C)(i) and (C)(ii) of this definition, incurred on a basis consistent with commercial practices and procedures that were reasonable and prudent in the circumstances; and
- (iv) incurred after such efforts as were reasonable in the circumstances had been taken to minimise such cost;

and which but for that Security Period would not have been incurred,

apart from, in respect of any of paragraphs (A), (B) and (C) of this definition, any cost falling into any of the following categories:

- (AA) that proportion of any cost incurred during the relevant Security Period which is recoverable out of any grant, subsidy, support or other form of allowance from any Competent Authority;
- (BB) taxes on gross or net income, profits or gains and value added and similar taxes (to the extent that such value added and similar taxes are recoverable), together with all penalties, charges and interest relating to any of them and regardless of whether any of the same are chargeable or attributable to the relevant Licence Holder or to any other person;
- (CC) costs which derive from events occurring before the commencement of the relevant Security Period and which relate to a prior period under the accruals concept as set out in the Statement of Standard Accounting Practice No. 2 (as amended) or any replacement of that Statement;
- (DD) that proportion of any cost which is incurred during the relevant Security Period which benefits the period following the Security Period; and
- (EE) Recoverable Anticipatory Costs or Recoverable Long Term Security Costs;

"Security Period Profit" (or loss), in relation to a particular Generator for a particular Security Period, means an amount (which in the case of a loss, shall be expressed as a negative figure) calculated by deducting the aggregate of all Security Period Costs of that Generator for that Security Period from the Security Period Revenue of that Generator for that Security Period, as shown in the relevant Security Period Statement delivered to the Director in accordance with the provisions of Sub-clause 2.01 of Part 5 of this Code;

"Security Period Revenue" in relation to a particular Generator for a particular Security Period, means the total revenue (excluding interest income and any relief, allowance or credit in respect of any taxes on gross or net income, profits or gains or any deduction in computing income, profits or gains for the purposes of any such

consumed by that Generator during that Security Period but which were not replaced by fuel purchased during that Security Period, which (in the case of each such cost) was:

- (i) necessarily and properly incurred;
- (ii) incurred in good faith and on arm's length terms;
- (iii) insofar as the following basis is consistent with sub-paragraphs (A)(i) and (A)(ii) of this definition, incurred on a basis consistent with commercial practices and procedures that were reasonable and prudent in the circumstances; and
- (iv) incurred after such efforts as were reasonable in the circumstances had been taken to minimise such cost;

(B) in relation to NIE(TDS) in respect of its Transmission and Distribution Business for a particular Security Period, any additional cost incurred by NIE(TDS) in respect of its Transmission and Distribution Business during that Security Period and any Anticipatory Cost the due date for payment of which fell on or after the commencement of that Security Period but before the expiry of that Security Period, which (in the case of each such cost referred to in the foregoing paragraph) was:

- (i) necessarily and properly incurred;
- (ii) incurred in good faith and on arm's length terms;
- (iii) insofar as the following basis is consistent with paragraphs (B)(i) and (B)(ii) of this definition, incurred on a basis consistent with commercial practices and procedures that were reasonable and prudent in the circumstances; and
- (iv) incurred after such efforts as were reasonable in the circumstances had been taken to minimise such cost;

and which but for that Security Period would not have been incurred; and

(C) in relation to the Power Procurement Manager for a particular Security Period, any additional cost incurred by the Power Procurement Manager during that Security Period excluding any payments made to Generators and any Anticipatory Cost of the Power Procurement Manager the due date for payment of which fell on or after the commencement of that Security Period but before the expiry of that Security Period, which (in the case of each such cost referred to in the foregoing paragraph) was:

- (i) necessarily and properly incurred;
- (ii) incurred in good faith and on arm's length terms;

3. FURTHER INTERPRETATION

- 3.01 In this Code, except where the context otherwise requires, any reference to:
- (A) an Act of Parliament or an Order in Council or any Part or section or other provision of, or Schedule to, an Act of Parliament or an Order in Council shall be construed, at the particular time, as including a reference to any modification, extension or re-enactment thereof then in force and to all instruments, orders or regulations then in force and made under or deriving validity from the relevant Act of Parliament;
 - (B) any agreement or any deed or other instrument shall be construed as a reference to that agreement, deed or other instrument as the same may have been, or may from time to time be, amended, varied, supplemented or novated;
 - (C) the terms "Department" and "Director" shall have the same meanings as in the Order;
 - (D) an "affiliate" means, in relation to any person, any holding company or subsidiary of that person or any subsidiary of a holding company of that person, in each case within the meaning of Article 4 of the Companies (Northern Ireland) Order 1986;
 - (E) a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organisation or other entity, in each case, whether or not having separate legal personality;
 - (F) a "related undertaking" means, in relation to any person, any undertaking in which that person has a participating interest as defined by Article 268 of the Companies (Northern Ireland) Order 1986;
 - (G) an "undertaking" has the meaning given to that expression by Article 267 of the Companies (Northern Ireland) Order 1986;
 - (H) a "day" means a period of 24 hours (or such other number of hours as may be relevant in the case of changes for daylight saving) ending at 12.00 midnight;
 - (I) a "Business Day" means any week day (other than a Saturday) on which banks are open for domestic business in the City of London and Belfast;
 - (J) a "working day" shall have the same meaning as in the Order;
 - (K) a "month" means a calendar month;
 - (L) a "year" means a calendar year; and

taxes) earned by that Generator in respect of that Security Period in carrying on its Generation Business (including, for the avoidance of doubt, all amounts recovered in respect of any Anticipatory Cost of that Generator the due date for payment of which fell on or after the commencement of that Security Period but before the expiry of that Security Period);

"Security Period Statement" means:

- (i) in relation to a particular Generator for a particular Security Period, the statement prepared by that Generator for that Security Period pursuant to Sub-clause 2.01 of Part 5;
- (ii) in relation to NIE(TDS) in respect of its Transmission and Distribution Business for a particular Security Period, the statement prepared by NIE(TDS) for that Security Period pursuant to Sub-clause 2.01 of Part 5; and
- (iii) in relation to the Power Procurement Manager for a particular Security Period, the statement prepared by the Power Procurement Manager for that Security Period pursuant to Sub-clause 3.01 of Part 5;

"Total System" has the meaning ascribed to it in the Transmission Licence;

"Transfer Date" means such date as may be appointed by the Department by order under Article 69 of the Order;

"Transmission and Distribution Business" has the meaning from time to time ascribed to that term in the Transmission Licence;

"Transmission Licence" means the licence granted under Article 10(1)(b) of the Order to Northern Ireland Electricity plc;

"Transmission and Public Electricity Supply Licences" means the Transmission Licence and the PES Licence;

"Transmission System" has the meaning ascribed to it in the Transmission Licence;

"TW" means terrawatt;

"TWh" means terrawatt-hour;

"Wh" means watt-hours.

appropriate), costs which the Director has determined under the provisions of the Code should be so recovered.

In complying with, giving effect to and/or interpreting the provisions of the Code, all Licence Holders, the Director and any other person shall have due regard to the objects and purposes thereof set out above.

- (M) a "financial year" in relation to a particular Generator, has the meaning from time to time ascribed to that term in the Generation Licence granted to that Generator.

3.02 In this Code:

- (A) reference to the masculine shall include the feminine and references in the singular shall include references in the plural and vice versa, and words denoting natural persons shall include companies, corporations and any other legal entity and vice versa;
- (B) references to the word "include" or "including" are to be construed without limitation;
- (C) except where the context otherwise requires, references to a particular Part, Clause, Sub-clause, paragraph or Schedule shall be a reference to that Part, Clause, Sub-clause, paragraph or Schedule in or to this Code;
- (D) the table of contents, headings, notes and commentaries are inserted for convenience only and shall be ignored in construing this Code;
- (E) references to the Director exercising his discretion shall be construed as references to the Director exercising his discretion in a manner consistent with his duties under the Order; and
- (F) references to time are to London time.

3.03 OBJECTS AND PURPOSE OF THE CODE

The principal objects and purpose of the Code are:

- (A) To describe the arrangements that will apply from the Transfer Date for Licence Holders to co-operate in strategic contingency planning in respect of fuel stocks.
- (B) To provide for the continued compliance (as far as possible) by all Licence Holders with the provisions of the Power Purchase Agreement during a Security Period.
- (C) To provide for the identification, audit and recovery of certain costs incurred by Licence Holders in anticipation of a Security Period, during a Security Period and after a Security Period.
- (D) To ensure that, subject to the provisions of this Code, Generators will not be in a materially better or worse position in terms of profitability as a result of a Security Period.
- (E) To ensure that, subject to the provisions of this Code, the Power Procurement Manager and NIE(TDS) in respect of its Transmission and Distribution Business will be able to recover by means of increased charges to their respective customers (to such extent as the Director considers requisite or

- (E) where, on the basis of written submissions made by a Public Electricity Supplier or the Transmission Licensee, he is satisfied, after making such consultations with such other Licence Holders as he shall consider appropriate in the circumstances (and having regard in addition to his duties under the Order to the written submissions made to him by that Public Electricity Supplier or the Transmission Licensee, to the views of such other Licence Holders expressed in such consultations, and also to any representations or objections which are duly made and not withdrawn) that it would be equitable to make such modifications in order to ensure that neither the Transmission Licensee nor any Public Electricity Supplier is, or would be, by virtue of the provisions of this Code, unable to recover by means of increased charges to its customers (to such extent as the Director considers requisite or appropriate), costs which the Director has determined under the provisions of this Code should be so recovered; or
- (F) where he considers it is desirable or expedient to do so in order to facilitate the introduction or operation of the requisite arrangements under Condition 10 of Part III of the Transmission Licence, Condition 20 of any Generation Licence or Condition 6 of any Second-Tier Supply Licence.

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What does the
rule -

2.02 Before making any modifications to any provision of this Code under paragraphs (B), (C), (D) or (E) of Sub-clause 2.01 of this Part the Department or, as the case may be, the Director shall give to each Licence Holder a notice stating in such detail as he shall consider appropriate in the circumstances:

- (A) the modifications proposed;
- (B) in the case of paragraph (C) of Sub-clause 2.01 of this Part, the reasons why such modifications are considered to be in the best interests of the electricity industry in Northern Ireland as a whole and the reasons why any powers of modification available pursuant to Articles 14 to 18 of the Order are not being utilised; and
- (C) in the case of paragraphs (D) and (E) of Sub-clause 2.01 of this Part, the reasons why the Director is satisfied that it would be equitable to make such modifications,

and also specifying the period of time which he considers appropriate in the circumstances within which representations or objections with respect to the proposed modifications may be made.

2.03 The Department or, as the case may be, the Director shall promptly notify each Licence Holder of any modifications to the provisions of this Code under Sub-clause 2.01 of this Part when made.

3. ILLEGALITY

Notwithstanding anything to the contrary contained in this Code, but subject to the following proviso, no Licence Holder shall be obliged by any provision of this Code to take any action or refrain from taking any action to the extent that the relevant Licence Holder reasonably believes in the circumstances then subsisting that:

- (A) such action or inaction would be unlawful or prohibited; and
- (B) there is no defence (other than that provided for under this Sub-clause) available to the relevant Licence Holder in respect of such unlawfulness or prohibition,

provided that the relevant Licence Holder:

- (i) takes all efforts as are reasonable in the circumstances to confirm the truth and accuracy of that belief; and
- (ii) uses its best efforts to comply with the relevant provision in a manner which is not unlawful or prohibited.

4. PRIORITIES

For the avoidance of doubt:

- 4.01 In the event of any inconsistency between any provision of this Code and any direction issued by the Department under Article 37 or 38 of the Order, the latter shall prevail.
- 4.02 In the event of any inconsistency between any provision of this Code and the Supply Competition Code, the former shall prevail.

5. NOTICES

The provisions of section 24 of the Interpretation Act (Northern Ireland) 1954 shall apply for the purposes of the delivery or service of any document, direction or notice to be delivered or served pursuant to this Code.

PART 3

PLANNING FOR A SECURITY PERIOD

Security Period
to be filled
2002

S/1/2/02
Board

1. OBLIGATIONS OF TRANSMISSION LICENSEE

1.01 In addition to (but without prejudice to) any requirements from time to time imposed upon the Transmission Licensee by the Department under Article 38(1) of the Order, the Transmission Licensee shall:

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- (A) prepare such plans as may be necessary for the operation of systems for despatch of Generation Sets to ensure continuity of electricity supplies during a Security Period on such planning assumptions as the Department may from time to time specify;
- (B) maintain, until the Director shall otherwise direct, records of:
 - (a) advice given to the Department by it under Article 38(1) of the Order; and
 - (b) stocking arrangements implemented by Licence Holders pursuant to directions issued by the Department under Article 37 of the Order;
- (C) make available to the Director such of the records referred to in paragraph (B) of this Sub-clause as the Director may at any time request;
- (D) report to the Department on all matters referred to in paragraphs (A) to (C) of this Sub-clause at such times or periods as the Department may request; and
- (E) subject to any direction from the Director to the contrary, keep each Generator properly informed in relation to advice given to the Department by it under Article 38(1) of the Order, insofar as such advice affects that Generator.

1.02 Costs incurred by the Transmission Licensee under Sub-clause 1.01 of this Part or under Article 38(1) of the Order may only be recovered by the Transmission Licensee by an appropriate equitable increase on all charges made in the course of its Transmission Business.

2. OBLIGATIONS OF OTHER LICENCE HOLDERS

Each Licence Holder who is for the time being a specified person under a direction given to the Transmission Licensee under Article 38(1) of the Order shall, at the request of the Transmission Licensee, make itself available for such consultation as the Transmission Licensee shall reasonably request for the purpose of the Transmission Licensee complying with the direction given to it under Article 38(1) of the Order.

3. COSTS INCURRED IN ANTICIPATION OF A POSSIBLE SECURITY PERIOD

- 3.01 The Director may (having regard to his duties under the Order) at any time in his sole, absolute and unfettered discretion agree with any Licence Holder that such Licence Holder should incur an additional cost (in the case of a Generator, in carrying on its Generation Business or, in the case of the Transmission Licensee, in carrying on its Transmission Business or its Power Procurement Business or, in the case of a Public Electricity Supplier, in carrying on its Distribution Business or its Supply Business) in anticipation of a possible Security Period (whether or not such contemplated Security Period subsequently commences) which but for such agreement would not have been incurred and that such Anticipatory Cost shall:
- (A) if the due date for payment by the Licence Holder of that Anticipatory Cost falls before the commencement of a Security Period, be recoverable by that Licence Holder on the basis set out in Sub-clause 3.03 of this Part; or
 - (B) if the due date for payment by the Licence Holder of that Anticipatory Cost falls on or after the commencement of a Security Period but before the expiry of that Security Period, be taken into account in determining the Recoverable Security Period Costs of that Licence Holder in relation to that Security Period; or
 - (C) if the due date for payment by the Licence Holder of that Anticipatory Cost falls on or after the expiry of a Security Period which commences after such agreement, be recoverable by that Licence Holder on the basis set out in Sub-clause 3.03 of this Part.
- 3.02 The Licence Holder with whom the Director has reached an agreement under sub-clause 3.01 of this Part shall, promptly upon reaching such agreement, notify such persons as the Director may direct, in such detail as the Director may specify in such direction, of a description of the Anticipatory Costs which the Director has agreed with that Licence Holder should be incurred.
- 3.03 If the due date for payment by a Generator of an Anticipatory Cost falls before the commencement of a Security Period or on or after the expiry of a Security Period which commences after the agreement under Sub-clause 3.01 of this Part in respect of that Anticipatory Cost was reached, then that Generator may with the approval of the Director, and shall if directed to do so by the Director, at any time on or after the due date for payment of that Anticipatory Cost:
- (A) deliver to the Power Procurement Manager a completed and duly authorised Payment Instruction specifying the identity of that Generator and the amount of the relevant Anticipatory Cost, and that amount shall (being a positive figure) be paid by the Power Procurement Manager to that Generator in accordance with such directions as the Director shall give to the Power Procurement Manager for the purpose, over such period, at such

rate and otherwise on such basis as in the opinion or estimation of the Director is appropriate; and

(B) give to the Director a copy of such Payment Instruction.

A Payment Instruction shall not be considered authorised until it has been approved by a resolution passed at a duly convened and held meeting of the directors of the relevant Generator, signed by at least two directors of that Generator and thereafter certified by the Director following consultation by the Director with the Power Procurement Manager. A Payment Instruction shall cease to be considered authorised if, after it has been certified by the Director, it is modified in any manner without the prior written consent of the Director.

4. FUEL SUPPLIES COMMITTEE *TSO*

4.01 It is envisaged that NIE(TDS) will be required to undertake activities for and on behalf of the Department under Articles 37 and 38 of the Order. This responsibility will be in addition to any obligation imposed upon NIE(TDS) by the Department by a direction under Article 38 of the Order.

4.02 In order to assist NIE(TDS) in fulfilling such responsibilities and also to enable other industry participants to have access to a forum in which their views can be presented, NIE(TDS) will chair an informal committee (the "Fuel Supplies Committee"), composed of representatives of such industry participants, which will, inter alia, prepare and review plans, manuals and other arrangements to assist in the orderly conduct of the industry in planning for, operating and recovering costs during a Security Period.

PART 4

OPERATING AND RECOVERY DURING A SECURITY PERIOD

1. OPERATION OF THE TRANSMISSION SYSTEM

- 1.01 The Transmission Licensee shall from time to time during a Security Period keep each other Licence Holder properly informed as to the manner in which the Transmission System (or any part thereof) will be operated in order to give effect to a direction which has been given to it by the Department under Article 38(2) of the Order.
- 1.02 In giving effect to a direction given to it by the Department under Article 38(2) of the Order, the Transmission Licensee may make reference to applicable industry plans, manuals and arrangements as to the manner in which the Transmission System is to operate and the objectives to be achieved by such operation during the relevant Security Period.
- 1.03 In the event of any inconsistency between the terms of the Grid Code (on the one hand) and the terms of any direction given by or on behalf of the Department to the Transmission Licensee under Article 38(2) of the Order or to a Generator under Article 37(4) of the Order (on the other) the latter shall prevail and the relevant terms of the Grid Code shall be deemed to be modified accordingly to such extent and for such period of time as shall be necessary to give effect to such direction (but not further or otherwise).
- 1.04 The Transmission Licensee shall, until directed otherwise by the Director, maintain records of all information supplied by it in accordance with Sub-clause 1.01 of this Part and of all subsequent communication in relation to such information. The Transmission Licensee shall make available to the Director such of those records as the Director may at any time request.

2. OPERATION OF DISTRIBUTION SYSTEMS

During a Security Period, each operator of a Distribution System shall operate that Distribution System in a manner that is consistent with the operation of the Transmission System and, for such purpose, the Transmission Licensee shall make itself available for such consultation and shall provide such information as any operator of a Distribution System may reasonably request. To the extent that the operation of any such Distribution System in that manner is inconsistent with the terms of the relevant Distribution Code, the terms of the relevant Distribution Code shall be deemed to be modified accordingly to such extent and for such period of time as shall be necessary for such Distribution System to be operated without such inconsistency.

3. CLARIFICATION OF DIRECTIONS DURING A SECURITY PERIOD

- 3.01 In the event that during a Security Period a Generator considers any direction (or part thereof) under Article 37 of the Order or any thing specified by a person specified pursuant to Article 37(5)(d) of the Order to be unclear, contradictory or incomplete, then that Generator must, promptly upon becoming aware of the same, notify the Department (or, as the case may be, the person specified pursuant to Article 37(5)(d) of the Order) in reasonable detail of the direction or thing specified that it considers to be unclear, contradictory or incomplete and until clarification is received shall continue to comply with the direction or thing specified to the extent that without clarification such compliance is possible. Upon receiving any such notification, the Department (or, as the case may be, that other person) may provide such clarification (if any) in such form as, in such case, he shall in his sole, absolute and unfettered discretion consider appropriate in the circumstances.
- 3.02 In the event that during a Security Period, before compliance by any Generator with a direction (or any part thereof) given to it under Article 37 of the Order, compliance is considered by that Generator to be capable of being achieved in alternative ways with different cost consequences than that Generator must, if it does not intend to pursue the alternative which it reasonably considers would involve the least associated cost, promptly notify the Director of the alternative solutions which that Generator considers to be available and its then best estimate of the associated costs and shall until such time (if any) as it is notified by the Director to the contrary, pursue the alternative which that Generator reasonably considers would involve the least associated cost.
- 3.03 The Transmission Licensee shall, until directed otherwise by the Director, maintain records of all things specified by it in accordance with directions under Article 37 of the Order and of all subsequent communication in relation to the things that were so specified. The Transmission Licensee shall make available to the Director such of those records as the Director may at any time request.

PART 5

SECURITY PERIOD COST RECOVERY

1. POWER PURCHASE AGREEMENTS DURING A SECURITY PERIOD

During a Security Period, each Licence Holder who is a party to a Power Purchase Agreement shall comply with the provisions of that Agreement (including the provisions relating to payments for availability, of energy charges, for fuel, electricity and connected matters) during a Security Period insofar as applicable to that Licence Holder, subject always to the provisions of that agreement.

2. POST SECURITY PERIOD SETTLEMENT FOR GENERATORS

2.01 Preparation of Security Period Statement

Each Generator may (and shall if directed to do so by the Director), in conjunction with its Auditors, as soon as possible following the end of a Security Period (and in any event within three months after the end of a Security Period or within such longer period as may before the end of such three month period be notified by the Director to all Generators), deliver to the Director a duly authorised Security Period Statement prepared in accordance with the accounting policies, principles and practices specified in Part I of Schedule 3 showing:

- (A) the costs claimed by that Generator as Security Period Costs in respect of that Security Period;
- (B) the Security Period Revenue of that Generator in respect of that Security Period; and
- (C) the Security Period Profit of that Generator in respect of that Security Period.

A Security Period Statement shall not be considered authorised until it has been approved by a resolution passed at a duly convened and held meeting of the directors of the relevant Generator and until it has been signed by at least two directors of that Generator. A Security Period Statement once delivered to the Director may not be withdrawn or amended. Following the delivery of a Security Period Statement in respect of a particular Security Period each Generator shall thereafter deliver to the Director, as soon as is practicable to do so, a further statement or statements (duly authorised as aforesaid) giving details of (i) the actual cost of purchasing replacements of stocks of fuel which were consumed by that Generator during that Security Period but which were not replaced by fuel purchased during that Security Period (but without prejudice (for the avoidance of doubt) to any entitlements of the Generator in relation to any purchases of fuel in respect of a Security Period under any Power Agreement), and (ii) the actual amounts expended by that Generator in discharging after the end of that Security Period

any other liabilities shown in that Security Period Statement as being costs claimed by the Generator as Security Period Costs in respect of any Security Period.

2.02 Independent Audit of Security Period Statement

Each Generator shall permit the Independent Auditor to audit the Security Period Statement and any further statements prepared and delivered by it to the Director in accordance with Sub-clause 2.01 of this Part.

2.03 Information and Assistance

Each Generator and the Power Procurement Manager shall, and each of them shall procure that their respective representatives, advisers, affiliates and related undertakings (and the representatives and advisers of such affiliates and related undertakings) shall, promptly provide to the Director, the Independent Auditor and their respective representatives and advisers, both during and after a Security Period:

- (A) any information or explanation by any of them;
- (B) such access to their premises and to their books and records (in whatever medium stored) and such access to their officers and employees as any of them may from time to time request; and
- (C) all such other assistance as any of them may from time to time request,

for the purpose of enabling the Independent Auditor to conduct an independent audit of the Security Period Statement.

2.04 Assistance by Transmission Licensee

The Transmission Licensee shall, at the request of a Generator, provide to that Generator such information from its records as that Generator may reasonably request as being necessary for such Generator to prepare a Security Period Statement in respect of a particular Security Period. For the avoidance of doubt, any such Generator shall not, by virtue of the preceding sentence of this paragraph, have any right to inspect books or records maintained by the Transmission Licensee or have any access to the premises, officers or employees of the Transmission Licensee.

2.05 Decisions of Director as to Recoverable Security Period Costs

The Director may, at any time (whether or not the Independent Auditor has completed his audit to the satisfaction of the Director but having regard to any report delivered to him by the Independent Auditor and also having regard to any clarification given to the relevant Generator by the Director in accordance with Sub-clause 3.02 of Part 4), make a determination as to whether any particular cost (or part thereof) claimed by a Generator is or is not a Security Period Cost. In making such a determination the Director shall have regard to such evidence as the Generator may produce.

Each cost claimed by a Generator to be a Security Period Cost in a Security Period Statement prepared and delivered to the Director in accordance with Sub-clause 2.01 of this Part 5 shall (subject to any adjustments required to reflect the actual amounts expended by that Generator in discharging after the end of that Security Period liabilities shown in that Security Period Statement as being costs claimed by that Generator as Security Period Costs in respect of that Security Period) be deemed to be referred to the Director for determination as to whether such cost is or is not a Security Period Cost. Any determination by the Director as to whether any particular cost (or part thereof) claimed by a Generator is or is not a Security Period Cost shall be conclusive and binding, save in the case of fraud. Any determination by the Director at any time as to whether any particular cost (or part thereof) claimed by a Generator is or is not a Security Period Cost will not create any presumption as to whether any similar cost (or part thereof) claimed by a Generator at that time or at any other time will or will not be a Security Period Cost.

2.06 Interim Payments

A Generator may with the approval of the Director, and shall, if directed to do so by the Director in writing, at any time after the expiry of a Security Period but prior to a Payment Instruction being given to the Power Procurement Manager in accordance with Sub-clause 2.07 of this Part 5 deliver to the Power Procurement Manager and the Director a completed and duly authorised Payment Instruction specifying the identity of that Generator and an amount specified by the Director in such direction (or otherwise) calculated on such basis as the Director may determine as representing a payment in advance of any portion of any amount which the Director considers would otherwise have been specified in a Payment Instruction relating to that Generator given under Sub-clause 2.07 of this Part 5.

A Payment Instruction shall not be considered authorised until it has been approved by a resolution passed at a duly convened and held meeting of the directors of the relevant Generator, signed by at least two directors of that Generator and thereafter certified by the Director following consultation by the Director with the Power Procurement Manager. A Payment Instruction shall cease to be considered authorised if, after it has been certified by the Director, it is modified in any manner without the prior written consent of the Director.

2.07 Final Payments

A Generator may with the approval of the Director, and shall if directed to do so by the Director, after the Director has made a determination in accordance with Sub-clause 2.05 of Part 5 in respect of each cost claimed by that Generator to be a Security Period Cost in a Security Period Statement prepared and delivered to the Director in accordance with Sub-clause 2.07 of this Part 5 deliver to the Power Procurement Manager and the Director a completed and duly authorised Payment Instruction specifying the

identity of that Generator and an amount which shall be calculated in relation to that Generator as follows:

- (i) deducting the Audited Security Period Profit of that Generator in relation to that Security Period from the Notional Security Period Profit applicable to that Generator in respect of that Security Period;
- (ii) adding to the figure established pursuant to sub-paragraph (i) above an amount equal to interest, calculated (on the basis of actual days elapsed and a year of 365 days) on an amount equal to the Notional Security Period Profit applicable to that Generator in respect of that Security Period (which shall be treated for the purpose of this calculation as having accrued to the Generator during the relevant Security Period at a rate per day calculated by dividing such Notional Security Period Profit by the total number of days in such Security Period) at a rate equal to LIBOR for each successive period (the first such period commencing on the first day of such Security Period and ending on the last day of the then current calendar month (except where that is not a Business Day, in which case it shall end on the next succeeding day which is a Business Day) and each subsequent period commencing on the last day of the immediately preceding period and ending (except as aforesaid) on the last day of each successive calendar month thereafter or, in the case of the last such period, on the effective date stated in the above-mentioned Payment Instruction delivered to the Power Procurement Manager in accordance with Schedule 5), such interest to accrue and be compounded at the end of each such period;
- (iii) adding to the figure established pursuant to sub-paragraphs (i) and (ii) above an amount equal to interest on each cost which is a Recoverable Security Period Cost of that Generator in relation to that Security Period, calculated in each case (on the basis of actual days elapsed and a year of 365 days) from the date of disbursement thereof until the effective date stated in the above-mentioned Payment Instruction to the Power Procurement Manager, at the applicable rate for LIBOR established from time to time in respect of each successive period referred to in sub-paragraph (ii) above, such interest to accrue and be compounded at the end of each such period;
- (iv) deducting from the figure established pursuant to sub-paragraphs (i) to (iii) above an amount equal to interest on each item of Audited Security Period Revenue of that Generator in relation to that Security Period, calculated in each case (on the basis of actual days elapsed and a year of 365 days) from the date of receipt thereof until the effective date stated in the above-mentioned Payment Instruction at the applicable rate for LIBOR established from time to time in respect of each successive period referred to in sub-paragraph (ii) above, such interest to accrue and be compounded at the end of each such period;

- (v) deducting from the figure established pursuant to sub-paragraphs (i) to (iv) above an amount equal to the sum of:
- (a) all amounts received by that Generator in consequence of any interim Payment Instruction given in relation to that Generator under Sub-clause 2.06 of this Part 5; and
 - (b) interest on each such amount calculated in each case (on the basis of actual days elapsed and a year of 365 days) from the date of receipt of such amount until the effective date stated in the above-mentioned Payment Instruction at the applicable rate of LIBOR established from time to time in respect of each successive period referred to in sub-paragraph (ii) above, such interest to accrue and be compounded at the end of each such period,

and the amount so produced shall (if it is a positive figure) be paid by the Power Procurement Manager to the relevant Generator (or vice versa if such sum is a negative figure) in accordance with the provisions of the relevant Power Purchase Agreement or otherwise in accordance with such directions as the Director shall give to the Power Procurement Manager for the purpose, over such period, at such rate and otherwise on such basis as in the opinion or estimation of the Director is appropriate.

A Payment Instruction shall not be considered authorised until it has been approved by a resolution passed at a duly convened and held meeting of the directors of the relevant Generator, signed by at least two directors of that Generator and thereafter certified by the Director following consultation by the Director with the Power Procurement Manager. A Payment Instruction shall cease to be considered authorised if, after it has been certified by the Director, it is modified in any manner without the prior written consent of the Director.

2.08 Interest Adjustment

In the event that in relation to a particular Generator, the sum of (i) any outstanding unpaid balances of amounts specified in any Payment Instructions given under Sub-clause 2.06 of this Part 5 and (ii) any amount specified in a Payment Instruction given under Sub-clause 2.07 of this Part 5 is:-

- (A) a positive figure, then the Generator shall be entitled to interest on such amount; or
- (B) a negative figure, then that Generator shall be liable for interest on such amount;

calculated (on the basis of actual days elapsed and a year of 365 days) on the aggregate outstanding unpaid balance thereof from time to time, from the effective date stated in the Payment Instruction delivered to the Power Procurement Manager under Sub-clause 2.07

of this Part 5 until such amount is paid in full at a rate (in respect of any period up to the effective date stated in such Payment Instruction under Sub-clause 2.07 of this Part) equal to the applicable rate for LIBOR established under paragraph (ii) of Sub-clause 2.07 of this Part 5 in respect of each successive period referred to in that paragraph and (in respect of any subsequent period) equal to LIBOR for each successive period of one month (the first such period commencing on the effective date stated in the relevant final Payment Instruction in accordance with Schedule 5 and ending on the last day of the then current calendar month (except where that is not a Business Day, in which case it shall end on the next succeeding day which is a Business Day) and each subsequent period commencing on the last day of the immediately preceding period and ending (except as aforesaid) on the last day of each successive calendar month thereafter) such interest to accrue and be compounded at the end of each such period. Such interest shall (if it has been collected by reference to a positive figure) be paid by the Power Procurement Manager to the relevant Generator (or vice versa if it has been calculated by reference to a negative figure) in accordance with the provisions of the relevant Power Purchase Agreement over such period, at such rate and otherwise on such basis as in the opinion or estimation of the Director is appropriate.

3. POST SECURITY PERIOD SETTLEMENT FOR TRANSMISSION AND DISTRIBUTION BUSINESS

3.01 Preparation of Security Period Statement

NIE(TDS) shall, in conjunction with its Auditors, as soon as possible following the end of a Security Period (and in any event within three months after the end of a Security Period or within such longer period as may before the end of such three month period be notified by the Director to NIE(TDS)), deliver to the Director a duly authorised Security Period Statement prepared in accordance with the accounting policies, principles and practices specified in Part II of Schedule 3 showing the costs claimed by NIE(TDS) in respect of its Transmission and Distribution Business as Security Period Costs in respect of that Security Period. A Security Period Statement shall not be considered authorised until it has been approved by a resolution passed at a duly convened and held meeting of the directors of NIE(TDS) and until it has been signed by at least two directors of NIE(TDS). A Security Period Statement once delivered to the Director may not be withdrawn or amended. Following the delivery of a Security Period Statement in respect of a particular Security Period NIE(TDS) shall thereafter deliver to the Director, as soon as it is practicable to do so, a further statement or statements (duly authorised as aforesaid) giving details of the actual amounts expended by NIE(TDS) in discharging after the end of that Security Period liabilities shown in that Security Period Statement as being costs claimed by NIE(TDS) as Security Period Costs in respect of that Security Period.

3.02 Independent Audit of Security Period Statement

NIE(TDS) shall permit the Independent Auditor to audit the Security Period Statement and any further statements prepared and delivered by it to the Director in accordance with Sub-clause 3.01 of this Part.

3.03 Information and Assistance

NIE(TDS) shall, and it shall procure that its representatives, advisers, affiliates and related undertakings (and the representatives and advisers of such affiliates and related undertakings) shall, promptly provide to the Director, the Independent Auditor and their representatives and advisers both during and after a Security Period:

- (A) any information or explanation requested by any of them;
- (B) such access to their premises and to their books and records (in whatever medium stored) and such access to their officers and employees as any of them may from time to time request; and
- (C) all such other assistance as any of them may from time to time request,

for the purposes of (i) enabling the Independent Auditor to conduct an independent audit of the Security Period Statement and any further statements prepared and delivered by NIE(TDS) to the Director in accordance with Sub-clause 3.01 of this Part, to make any adjustments required to reflect the actual amounts expended by NIE(TDS) to discharge after the end of that Security Period liabilities shown in that Security Period Statement as being costs claimed by NIE(TDS) as Security Period Costs in respect of that Security Period, and deliver a report to the Director in the form set out in Part II of Schedule 4, and (ii) enabling the Director to determine whether any particular cost claimed by NIE(TDS) is or is not a Security Period Cost.

3.04 Decisions of Director as to Recoverable Security Period Costs

The Director may, at any time (whether or not the Independent Auditor has completed his audit to the satisfaction of the Director but having regard to any report delivered to him by the Independent Auditor), make a determination as to whether any particular cost (or part thereof) claimed by NIE(TDS) is or is not a Security Period Cost. In making such a determination the Director may have regard to such evidence as NIE(TDS) may produce. Each cost claimed by NIE(TDS) to be a Security Period Cost in a Security Period Statement prepared and delivered to the Director in accordance with Sub-clause 3.01 of this Part shall (subject to any adjustments required to reflect the actual amounts expended by NIE(TDS) to discharge after the end of that Security Period liabilities shown in that Security Period Statement as being costs claimed by NIE(TDS) as Security Period Costs in respect of that Security Period) be deemed to be referred to the Director for determination as to whether such cost is or is not a Security Period Cost. Any determination by the Director as to whether any particular cost (or part thereof) claimed by NIE(TDS) is or is not a Security Period Cost shall be conclusive and binding, save in the case of fraud. Any determination by the Director at any time as to whether any particular cost (or part thereof) claimed by NIE(TDS) is or is not a Security Period Cost will not create any presumption as to whether any similar cost (or part thereof) claimed by NIE(TDS) at that time or any other time will or will not be a Security Period Cost.

3.05 Interest Adjustment

Following a determination by the Director that a particular cost (or part thereof) is a Security Period Cost of NIE(TDS) in relation to a particular Security Period, NIE(TDS) shall be entitled to an additional amount equal to interest calculated (on the basis of actual days elapsed and a year of 365 days) by, or subject to the approval of, the Director, on that portion for the time being which has not yet been recovered of the outstanding unpaid balance of such cost, from the date of disbursement thereof until the date on which it is recovered in full, at a rate equal to LIBOR for each successive period (the first such period commencing on the first day of such Security Period and ending on the last day of the then current calendar month (except where that is not a Business Day, in which case it shall end on the next succeeding day which is a

Business Day) and each subsequent period commencing on the last day of the immediately preceding period and ending (except as aforesaid) on the last day of each successive calendar month thereafter), such interest to accrue and be compounded at the end of each such period.

3.06 Over Recovery

Where any user of the Total System is itself a Licence Holder, the Director may issue directions requiring such Licence Holder to take such steps as may be specified to pass on the reimbursement of amounts recovered by NIE(TDS) in excess of the allowed security costs to the customers of that Licence Holder.

4. POST SECURITY PERIOD SETTLEMENT FOR POWER PROCUREMENT MANAGER

4.01 Preparation of Security Period Statement

The Power Procurement Manager shall, in conjunction with its Auditors, as soon as possible following the end of a Security Period (and in any event within three months after the end of a Security Period or within such longer period as may before the end of such three month period be notified by the Director to the Power Procurement Manager), deliver to the Director a duly authorised Security Period Statement prepared in accordance with the accounting policies, principles and practices specified in Part III of Schedule 3 showing the costs claimed by the Power Procurement Manager as Security Period Costs in respect of that Security Period.

A Security Period Statement shall not be considered authorised until it has been approved by a resolution passed at a duly convened and held meeting of the directors of NIE(TDS) and until it has been signed by at least two directors of NIE(TDS). A Security Period Statement once delivered to the Director may not be withdrawn or amended. Following the delivery of a Security Period Statement in respect of a particular Security Period the Power Procurement Manager shall thereafter deliver to the Director, as soon as it is practicable to do so, a further statement or statements (duly authorised as aforesaid) giving details of the actual amounts expended by the Power Procurement Manager in discharging after the end of that Security Period liabilities shown in that Security Period Statement as being costs claimed by the Power Procurement Manager as Security Period Costs in respect of that Security Period.

4.02 Independent Audit of Security Period Statement

The Power Procurement Manager shall permit the Independent Auditor to audit the Security Period Statement and any further statement prepared and delivered by it to the Director in accordance with Sub-clause 4.01 of this Part.

4.03 Information and Assistance

NIE(TDS) shall, and each of them shall procure that their respect representatives, advisers, affiliates and related undertakings (and the representatives and advisers of such affiliates and related undertakings) shall, promptly provide to the Director, his

representatives and his advisers both during and after a Security-Period:

- (A) any information or explanation requested by any of them;
- (B) such access to their premises and to their books and records (in whatever medium stored) and such access to their officers and employees as any of them may from time to time request; and
- (C) all such other assistance as any of them may from time to time request.

for the purposes of (i) enabling the Independent Auditor to conduct an independent audit of the Security Period Statement and any further statements prepared and delivered by the Power Procurement Manager to the Director in accordance with Sub-clause 4.01 of this Part, to make any adjustment required to reflect the actual amounts expended by the Power Procurement Manager to discharge after the end of that Security Period liabilities shown in that Security Period Statement as being costs claimed by the Power Procurement Manager as Security Period Costs in respect of that Security Period, and deliver a report to the Director in the form set out in Part III of Schedule 4, and (ii) enabling the Director to determine whether any particular cost claimed by the Power Procurement Manager is or is not a Security Period Cost.

4.04 Decisions of Director as to Recoverable Security Period Costs

The Director may, at any time (whether or not the Independent Auditor has completed his audit to the satisfaction of the Director but having regard to any report delivered to him by the Independent Auditor), make a determination as to whether any particular cost (or part thereof) claimed by the Power Procurement Manager is or is not a Security Period Cost. In making such a determination the Director may have regard to such evidence as the Power Procurement Manager may produce. Each cost claimed by the Power Procurement Manager to be a Security Period Cost in a Security Period Statement prepared and delivered to the Director in accordance with Sub-clause 4.01 of this Part shall (subject to any adjustment required to reflect the actual amounts expended by the Power Procurement Manager to discharge after the end of that Security Period liabilities shown in that Security Period Statement as being costs claimed by the Power Procurement Manager as Security Period Costs in respect of that Security Period) be deemed to be referred to the Director for determination as to whether such cost is or is not a Security Period Cost. Any determination by the Director as to whether any particular cost (or part thereof) claimed by the Power Procurement Manager is or is not a Security Period Cost shall be conclusive and binding, save in the case of fraud. Any determination by the Director at any time as to whether any particular cost (or part thereof) claimed by the Power Procurement Manager is or is not a Security Period Cost will not create any presumption as to whether any similar cost (or part thereof) claimed by the Power Procurement Manager at that time or any other time will or will not be a Security Period Cost.

PART 6

LONG TERM SECURITY COSTS

1.01 Preparation of Claims

Subject to the following proviso, any Licence Holder may at any time during the Claims Period relating to a Security Period deliver to the Director a duly authorised Claim prepared in accordance with the accounting policies, principles and practices specified in Schedule 6 identifying each cost (if any), the liability relating to which has been discharged before the expiry of the Claims Period, which it claims is a Long Term Security Cost attributable to that Security Period, provided that if a Licence Holder shall have delivered to the Director during the Claims Period a duly authorised notice of a potential Claim identifying to the satisfaction of the Director (in his sole, absolute and unfettered discretion) an event or circumstance which that Licence Holder reasonably believes may occur or arise following the expiry of the Claims Period, which event or circumstance it can be demonstrated to the satisfaction of the Director (in his sole, absolute and unfettered discretion) can be expected to result in a Long Term Security Cost, such Licence Holder may, if such Long Term Security Cost is incurred and the liability relating thereto is discharged within three years after the expiry of the Claims Period, deliver to the Director a duly authorised Claim identifying the actual cost (if any) incurred by that Licence Holder in respect of the previously notified potential Claim, notwithstanding the fact that the Claims Period has expired. Any such Claim or notice of a potential Claim shall not be considered authorised until it has been approved by a resolution passed at a duly convened and held meeting of the directors of the relevant Licence Holder and until it has been signed by at least two directors of that Licence Holder. Any such Claim once delivered to the Director may not be withdrawn or amended.

1.02 Verification of Claims

Each Licence Holder shall provide to the Director with any Claim sufficient evidence (including reports from appropriately qualified experts) to enable the Director to determine whether any particular cost claimed by that Licence Holder is or is not a Long Term Security Cost. The Director may if he wishes make such investigation and collect such other evidence (including reports from appropriately qualified independent experts) as he shall in his sole, absolute and unfettered discretion think fit.

1.03 Information and Assistance

Each Licence Holder and the Transmission Licensee shall, and each of them shall procure that their respective representatives, advisers, affiliates and related undertakings (and the representatives and advisers of such affiliates and related undertakings) shall, provide to the Director, his representatives and his advisers:

- (A) any information or explanation requested by any of them;
- (B) such access to their premises and to their books and records (in whatever medium stored) and such access to their officers and employees as any of them may from time to time request; and
- (C) all such other assistance as any of them may from time to time request.

for the purpose of enabling the Director to determine whether any particular cost claimed by that Licence Holder is or is not a Long Term Security Cost.

1.04 Decisions of Director as to Recoverable Long Term Security Costs

The Director may, at any time (having regard to any evidence provided to him in accordance with Clause 1.02 of this Part and also having regard to such other evidence as he shall in his sole, absolute and unfettered discretion think fit), make a determination as to whether any particular cost (or part thereof) claimed by a Licence Holder is or is not a Long Term Security Cost. Any determination by the Director as to whether any particular cost (or part thereof) claimed by a Licence Holder is or is not a Long Term Security Cost shall be conclusive and binding, save in the case of fraud. Each cost claimed by a Licence Holder to be a Long Term Security Cost in a Claim prepared and delivered to the Director in accordance with Clause 1.01 of this Part shall be deemed to be referred to the Director for determination as to whether such cost is or is not a Long Term Security Cost. Any determination by the Director at any time as to whether any particular cost (or part thereof) claimed by a Licence Holder is or is not a Long Term Security Cost will not create any presumption as to whether any similar cost (or part thereof) claimed by a Licence Holder at that time or at any other time will or will not be a Long Term Security Cost.

1.05 Recovery by Generators

A Generator may with the approval of the Director, and shall if directed to do so by the Director, after the Director has made a determination in accordance with Clause 1.04 of this Part in respect of each cost claimed by that Generator to be a Long Term Security Cost in a Claim prepared and delivered to the Director in accordance with Clause 1.01 of this Part:

- (A) deliver to the Power Procurement Manager a completed and duly authorised Payment Instruction specifying the identity of that Generator and the Recoverable Long Term Security Costs of that Generator referable to that Claim and such Recoverable Long Term Security Costs shall (being a positive figure) be paid by the Power Procurement Manager to that Generator in accordance with such directions as the Director shall give to the Power Procurement Manager for the purpose, over such period, at such rate and otherwise on such basis as in the opinion of the Director is appropriate; and

(B) give to the Director a copy of such Payment Instruction.

A Payment Instruction shall not be considered authorised until it has been approved by a resolution passed at a duly convened and held meeting of the directors of the relevant Generator, signed by at least two directors of that Generator and thereafter certified by the Director following consultation by the Director with the Power Procurement Manager. A Payment Instruction shall cease to be considered authorised if, after it has been certified by the Director, it is modified in any manner without the prior written consent of the Director.

SCHEDULE 1

(Illustrative non-exclusive list of information, additional to that specified in the Grid Code, that might be requested by the Transmission Licensee in its consultations with other Licence Holders)

1. FOSSIL FUEL DATA

1.1 For preparation of the security period plan

The following data will be provided to the Transmission Licensee annually when the Security Period plan is being prepared:

A. Storage capacities at each station (in kilotonnes) of:

- (i) Coal;
- (ii) Heavy fuel oil;
- (iii) Secondary oil;
- (iv) Gasoil;

B. Calorific values of all fuels.

Generators also undertake to let the Transmission Licensee know, between Security Period plans, of any significant changes.

1.2 For monitoring Security Period capability

Stocks of oil and coal held by Generators will be reported to the Transmission Licensee:

- A. Weekly as a company total;
- B. Monthly for individual stations/sites.

1.3 During, or in anticipation of, a Security Period

A. Generators will provide the Transmission Licensee, on a weekly basis, with:

- (i) Stocks of fuel at each station;
- (ii) Consumption and delivery of all fuel to each station.

B. Generators will notify the Transmission Licensee as soon as there are any changes to:

- (i) fuel stock capacities;
- (ii) Calorific value of any fuel;
- (iii) the possibilities for redirecting fuel supplies.

2. PLANT PERFORMANCE

2.1 For preparation of the security period plan

The following data will be provided to the Transmission Licensee annually (for the period up to 2 years ahead) when the security period plan is being prepared:

- A. Changes to plant performance under Security Period conditions from those registered under the Grid Code. Items in this category would include, for example, two shifting capabilities, minimum stable generation, run up rates, minimum on/off times.
- B. Data enabling the normal scheduling process to be converted from one which is price determinate to one which is fuel availability determinate.

e.g.:- Generator heat details; Generator fuel details; all related to a security period situation and provided to a pre-specified format.
- C. For coal fired boilers details of:
 - (i) Oil for start up (hot and cold);
 - (ii) Oil for flame stabilisation (% of full load heat).
- D. Details of plant outages for statutory inspection.
- E. Changes to plant availabilities under Security Period conditions.

Generators also undertake to let the Transmission Licensee know, between Security Period plans, of any significant changes.

2.2 During, or in anticipation of, a Security Period

Generators will notify the Transmission Licensee, as soon as there are any changes to, or information concerning:

- A. Plant performance under Security Period conditions differing from those registered under the Grid Code;
- B. Data enabling the normal scheduling process to be converted from one which is price determinate to one which is fuel availability determinate;
- C. Plant availabilities under Security Period conditions;
- D. The oil requirements for start up and flame stabilisation;
- E. Constraints arising from shortages of other commodities.

SCHEDULE 2

(Illustrative non-exclusive lists of additional costs)

PART I

(Illustrative non-exclusive list of additional costs
that might be incurred during a Security Period)

1. Additional computer models and settlement systems
2. Delaying, accelerating, cancelling or otherwise rescheduling plant overhaul and maintenance programmes
3. Increases in fuel prices
4. Increased plant maintenance costs
5. Cost of reactivating dormant plant
6. Increased costs of HM Customs and Excise delays
7. Costs arising from 2-shifting and peak lopping plant usually run at base load
8. Greater use of lighting up oil because of greater plant flexibility required
9. Enhanced oil burn at coal plant
10. Additional flue gas additives
11. Increased cost of handling/storing "difficult" fuels
12. Higher costs of road transport
13. Increased invoicing and checking of road transport deliveries
14. Increased costs of ships queuing to unload cargoes
15. Costs of redeployment of coal
16. Hiring of additional tankers for storage
17. Liability arising from road repairs
18. Increased costs through falling exchange rates
19. Liability arising from rescheduling of trains and track maintenance
20. Higher costs associated with direct deliveries by suppliers to small stations
21. Provisions of large flat unfenced areas adjacent to routes (not on Generator's property) to assist police
22. Additional environmental costs
23. Increased corporate overheads (including additional staffing costs)
24. Increased costs of protection
25. Additional auditors' costs
26. Additional legal costs
27. Additional charges by Director
28. Additional short term research and investigative costs
29. Increased charges of the Transmission Licensee in its Transmission Business or Power Procurement Business
30. Additional trading costs arising from departures from normal commercial practice
31. Additional final customer billing costs
32. Additional financing costs arising from delays in recovery of security costs from consumers

PART II

(Illustrative non-exclusive list of additional costs
that might be incurred after a Security Period)

1. Cost of technical/engineering investigation of possible long term damage to plant
2. Delayed repair and overhaul of plant
3. Cost of re-stocking of spares
4. Cost of accelerated maintenance programme
5. Cost of re-stocking fuels
6. Cost of continued use of high price fuel in transit
7. Increased charges of the Transmission Licensee in its Transmission Business or Power Procurement Business
8. Increased depreciation
9. Additional financing costs arising from delays in recovery of long term security costs from consumers

SCHEDULE 3

(Accounting Policies, Principles and Practices for
preparation of Security Period Statements)

PART I

(Generators)

Each Security Period Statement shall:

- (a) subject to paragraphs (c) and (d) of this Part, be prepared in accordance with UK generally accepted accounting principles and practices extant at the time of preparation of the Security Period Statement including, in particular (but without limitation), the Statements of Standard Accounting Practice issued or adopted by the Accounting Standards Board (or any successor or replacement organisation) and extant at that time;
- (b) subject to paragraphs (c) and (d) of this Part, be prepared using the same accounting policies, consistently applied, as those used by the relevant Generator in the preparation by it of its most recent audited annual financial statements;
- (c) include the cost of stocks of fuel which have been consumed during the Security Period to which the Security Period Statement relates:
 - (i) to the extent that such stocks of fuel were replaced by fuel purchased during that Security Period, at the cost of which such fuel was purchased;
 - (ii) to the extent such stocks of fuel were not so replaced during that Security Period, as an accrual at the best estimate (at the time of preparation of the Security Period Statement) of the prevailing market rate for the replacement of such stocks of fuel at the date of consumption;
- (d) include a note showing:
 - (i) the actual costs incurred on or after the end of the Security Period in replacing any stocks of fuel referred to in paragraph (c)(ii) of this Part 1; and
 - (ii) the actual amounts expended by the relevant Generator in discharging after the end of the Security Period any other liabilities shown in the Security Period Statement as being costs claimed by the relevant Generator as Security Period Costs in respect of that Security Period;

- (e) include notes, where appropriate, explaining the basis of any allocation or apportionment of costs or revenues or the basis of any significant interpretation of the Code;
- (f) state the accounting policies adopted; and
- (g) be prepared in the following format:

Security Period Statement of [Generator]
for the Security Period from [DD/MM/YY] to [DD/MM/YY]

	Note	£
Security Period Revenue		
Security Period Costs claimed		
Security Period Profit		_____
		=====

We confirm that the Security Period Statement has been properly prepared in accordance with the provisions of the Northern Ireland Fuel Security Code (including in particular, but without limitation, Part I of Schedule 3).

Approved by the Board of Directors of [Generator] on [DD/MM/YY].

Director A
 Director B

Date:
 Date:

PART II

(Transmission and Distribution Business)

Each Security Period Statement shall:

- (a) be prepared in accordance with UK generally accepted accounting principles and practices extant at the time of preparation of the Security Period Statement including, in particular (but without limitation), the Statements of Standard Accounting Practice issued or adopted by the Accounting Standards Board (or any successor or replacement organisation) and extant at that time;
- (b) be prepared using the same accounting policies, consistently applied, as those used by NIE(TDS) in the preparation by it of its most recent audited annual financial statements;
- (c) include a note showing the actual amounts expended by NIE(TDS) in respect of its Transmission and Distribution Business in discharging after the end of the Security Period liabilities shown in the Security Period Statement as being costs claimed by NIE(TDS) as Security Period Costs in respect of that Security Period;
- (d) include further notes, where appropriate, explaining the basis of any allocation or apportionment of costs or revenues or the basis of any significant interpretation of the Code;
- (e) state the accounting policies adopted; and
- (f) be prepared in the following format:

Security Period Statement of NIE(TDS) in respect of its Transmission and Distribution Business for the Security Period from [DD/MM/YY] to [DD/MM/YY]

	Note	£
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Security Period Costs claimed		_____
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We confirm that the Security Period Statement has been properly prepared in accordance with the provisions of the Northern Ireland Fuel Security Code (including in particular, but without limitation, Part II of Schedule 3).

Approved by the Board of Directors of NIE(TDS) on [DD/MM/YY].

Director A
Director B

Date:
Date:

PART III

(Power Procurement Manager)

Each Security Period Statement shall:

- (a) be prepared in accordance with UK generally accepted accounting principles and practices extant at the time of preparation of the Security Period Statement including, in particular (but without limitation), the Statements of Standard Accounting Practice issued or adopted by the Accounting Standards Board (or any successor or replacement organisation) and extant at that time;
- (b) be prepared using the same accounting policies, consistently applied, as those used by the Power Procurement Manager in the preparation by it of its most recent audited annual financial statements;
- (c) include a note showing the actual amounts expended by the Power Procurement Manager in discharging after the end of the Security Period liabilities shown in the Security Period Statement as being costs claimed by the Power Procurement Manager as Security Period Costs in respect of that Security Period;
- (d) include further notes, where appropriate, explaining the basis of any allocation or apportionment of costs or revenues or the basis of any significant interpretation of the Code;
- (e) state the accounting policies adopted; and
- (f) be prepared in the following format:

Security Period Statement of the Power Procurement Manager
for the Security Period from [DD/MM/YY] to [DD/MM/YY]

Note £

Security Period Costs claimed

We confirm that the Security Period Statement has been properly prepared in accordance with the provisions of the Northern Ireland Fuel Security Code (including in particular, but without limitation, Part III of Schedule 3).

Approved by the Board of Directors of [the Power Procurement Manager] on [DD/MM/YY].

Director A
Director B

Date:
Date:

SCHEDULE 4

(Audit Reports)

PART I

(Generators)

Unless the context otherwise requires, in this report words and expressions defined in the Northern Ireland Fuel Security Code shall bear the same meanings.

We have examined the attached Security Period Statement of [Generator] dated [DD/MM/YY], for which the directors of [Generator] are solely responsible, in respect of the Security Period from [DD/MM/YY] to [DD/MM/YY].

We have also examined the attached further statement[s] of [Generator] dated [DD/MM/YY] [respectively], for which the directors of [Generator] are solely responsible, in respect of actual amounts expended after that Security Period in discharging liabilities shown in the attached Security Period Statement of [Generator].

We have examined the books and records of [Generator] and have obtained such explanations and carried out such tests as we consider necessary.

On the basis of our examination we confirm that, [except as disclosed in the Security Period Statement/except for the matters in paragraph [] above / except as disclosed in our covering letter dated [DD/MM/YY],] in our opinion:

- (A) the Security Period Statement has been properly compiled in accordance with the provisions of the Northern Ireland Fuel Security Code (including in particular, but without limitation, Part I of Schedule 3);
- (B) the costs claimed by [Generator] in the attached Security Period Statement of [Generator] to be Security Period Costs, are all Security Period Costs; and
- (C) the revenue claimed by [Generator] in the Security Period Statement to be the Security Period Revenue of [Generator] for the relevant Security Period comprises all the Security Period Revenue of [Generator] for that Security Period.

PART II

(NIE(TDS) in respect of its Transmission and Distribution Business)

Unless the context otherwise requires, in this report words and expressions defined in the Northern Ireland Fuel Security Code shall bear the same meanings.

We have examined the attached Security Period Statement of NIE(TDS) in respect of its Transmission and Distribution Business dated [DD/MM/YY], for which the directors of NIE(TDS) are solely responsible, in respect of the Security Period from [DD/MM/YY] to [DD/MM/YY].

We have also examined the attached further statement[s] of NIE(TDS) in respect of its Transmission and Distribution Business dated [DD/MM/YY] [respectively], for which the directors of NIE(TDS) are solely responsible, in respect of actual amounts expended after that Security Period in discharging liabilities shown in the attached Security Period Statement of NIE(TDS) in respect of its Transmission and Distribution Business.

We have examined the books and records of NIE(TDS) in respect of its Transmission and Distribution Business and have obtained such explanations and carried out such tests as we consider necessary.

On the basis of our examination we confirm that, [except as disclosed in the Security Period Statement/except for the matters in paragraph [] above / except as disclosed in our covering letter dated [DD/MM/YY],] in our opinion:

- (A) the Security Period Statement has been properly compiled in accordance with the provisions of the Northern Ireland Fuel Security Code (including in particular, but without limitation, Part II of Schedule 3); and
- (B) the costs claimed by NIE(TDS) in respect of its Transmission and Distribution Business in the attached Security Period Statement of NIE(TDS) in respect of its Transmission and Distribution Business to be Security Period Costs, as adjusted by the attached further statements of NIE(TDS) in respect of its Transmission and Distribution Business, are all Security Period Costs.

PART III

(The Power Procurement Manager)

Unless the context otherwise requires, in this report words and expressions defined in the Northern Ireland Fuel Security Code shall bear the same meanings.

We have examined the attached Security Period Statement of the Power Procurement Manager dated [DD/MM/YY], for which the directors of NIE(TDS) are solely responsible, in respect of the Security Period from [DD/MM/YY] to [DD/MM/YY].

We have also examined the attached further statement[s] of the Power Procurement Manager dated [DD/MM/YY] [respectively], for which the directors

of NIE(TDS) are solely responsible, in respect of actual amounts expended after that Security Period in discharging liabilities shown in the attached Security Period Statement of the Power Procurement Manager.

We have examined the books and records of the Power Procurement Manager and have obtained such explanations and carried out such tests as we consider necessary.

On the basis of our examination we confirm that, [except as disclosed in the Security Period Statement/except for the matters in paragraph [] above / except as disclosed in our covering letter dated [DD/MM/YY],] in our opinion:

- (A) the Security Period Statement has been properly compiled in accordance with the provisions of the Northern Ireland Fuel Security Code (including in particular, but without limitation, Part III of Schedule 3);
- (B) the costs claimed by the Power Procurement Manager in the attached Security Period Statement of the Power Procurement Manager to be Security Period Costs, as adjusted by the attached further statements of the Power Procurement Manager, are all Security Period Costs.

SCHEDULE 5

(Form of Payment Instruction)

To: The Power Procurement Manager

[DD/MM/YY]

Payment Instruction

1. This Payment Instruction is delivered to you in accordance with the provisions of the Northern Ireland Fuel Security Code for the purpose of enabling payments authorised under the Northern Ireland Fuel Security Code to be made in accordance with the provisions of the relevant Power Purchase Agreement or (as the case may be) the directions given by the Director General of Electricity Supply for Northern Ireland to the Power Procurement Manager for the purpose, in the manner specified in this Payment Instruction. Unless the context otherwise requires, in this Payment Instruction words and expressions defined in the Northern Ireland Fuel Security Code shall bear the same meanings.

2. This is to notify you that as of [DD/MM/YY] [Generator] is [*entitled to recover from the Power Procurement Manager/*liable to reimburse the Power Procurement Manager in] the amount of £[] pursuant to [Sub-clause/Clause] of [Part] of the Northern Ireland Fuel Security Code.

[*Relevant Generator to delete whichever alternative is not applicable and complete the remainder.]

3. You are hereby instructed to arrange for the amount specified in paragraph 2 of this Payment Instruction to be [*recovered from the Power Procurement Manager/*reimbursed to the Power Procurement Manager in accordance with the provisions of the relevant Power Purchase Agreement or (as the case may be) the directions given by the Director General of Electricity Supply for Northern Ireland to the Power Procurement Manager for the purpose, in the manner specified below.

[*Relevant Generator to delete whichever alternative is not applicable and complete the remainder.]

4. [In the case of the Final Payment Instruction applicable to relevant Generator]. For the purpose of the Interest Adjustment referred to in Sub-clause 2.08 of Part 5 of the Fuel Security Code, the effective date is [DD/MM/YY].

[*Date inserted by relevant Generator must be the last business day of a calendar month, and must be the nearest practicable such date before date of delivery of Payment Instruction.]

Approved by the Board of Directors of [Generator] on [DD/MM/YY].

Director A
Director B

Date:
Date:

THE FOLLOWING SECTION IS TO BE COMPLETED BY THE DIRECTOR ONLY

*The amount specified in paragraph 2 of this Payment Instruction shall be recovered from the Power Procurement Manager in the following manner:

- (i) *by means of a single lump sum to be paid on [date] by the Power Procurement Manager to [Generator] in the following proportions [insert appropriate calculations]; or
- (ii) *by means of [number] [equal/variable] instalments to be paid on [dates] by the Power Procurement Manager to [Generator] in the following proportions [insert appropriate calculations]; or
- (iii) *by increasing by [per cent.] (or such lesser percentage as is appropriate in the case of the last increase) the amount [exclusive of VAT] shown on all invoices issued to the Power Procurement Manager under the relevant Power Purchase Agreement in respect of sums owed by them until the amount specified in paragraph 2 of this Payment Instruction has been discharged in full; or
- (iv) [insert any other instructions considered by the Director to be appropriate].

OR

*The amount specified in paragraph 2 of this Payment Instruction shall be reimbursed to the Power Procurement Manager in the following manner:

- (i) *by means of a single lump sum to be paid on [date] to the Power Procurement Manager by [Generator] in the following proportions [insert appropriate calculations]; or
- (ii) *by means of [number] [equal/variable] instalments to be paid on [dates] to Power Procurement Manager by [Generator] in the following proportions [insert appropriate calculations]; or
- (iii) *by reducing by [per cent.] (or such lesser percentage as is appropriate in the case of the last increase) the amount [exclusive of VAT] shown on all invoices issued to [Generator] in respect of sums owed by it under the relevant Power Purchase Agreement until the amount specified in paragraph 2 of this Payment Instruction has been discharged in full; or
- (iv) *[insert any other instructions considered by the Director to be appropriate].

[*Director to delete/complete as appropriate.]

Certified by the Director

Date:

SCHEDULE 6

(Accounting Policies, Principles and Practices
for preparation of Claims)

Each Claim shall:

- (a) be prepared in accordance with UK generally accepted accounting principles and practices extant at the time of preparation of the Claim including, in particular (but without limitation), the Statements of Standard Accounting Practice issued or adopted by the Accounting Standards Board (or any successor or replacement organisation) and extant at that time;
- (b) be prepared using the same accounting policies, consistently applied, as those used by the relevant Licence Holder in the preparation by it of its most recent audited annual financial statement;
- (c) include notes, where appropriate, explaining the basis of any allocation or apportionment of costs or revenues or the basis of any significant interpretation of the Code;
- (d) state the accounting policies adopted; and
- (e) be prepared in the following format:

Claim of [Licence Holder]

relating to the Security Period from

[DD/MM/YY] to [DD/MM/YY]

£

Long Term Security Costs claimed

We confirm that this Claim has been properly prepared in accordance with the provisions of the Northern Ireland Fuel Security Code (including in particular, but without limitation, Schedule 6).

Approved by the Board of Directors of [Licence Holder] on [/MM/YY].

Director A

Date:

Director B

Date

SCHEDULE 7

(Calculation of Notional Security Period Profit)

The Notional Security Period Profit in relation to a particular Generator for a particular Security Period is given by the formula:

$$Z = Z1 + Z2$$

Where:

(a) Z shall equal the Notional Security Period Profit in relation to that Generator for that Security Period, expressed in pounds sterling.

$$(b) Z1 = (AH1P_{-1} + AH1P_{-2} + AH1P_{-3}) \times \frac{DH1S}{(DH1_{-1} + DH1_{-2} + DH1_{-3})}$$

$$(c) Z2 = (AG2P_{-1} + AH2P_{-2} + AH2P_{-3}) \times \frac{DH2S}{(DH2_{-1} + DH2_{-2} + DH2_{-3})}$$

$$(d) AH1P_i = \frac{H1P_i \times (RPI1_i + 100)}{100}$$

$$(e) AH2P_i = \frac{H2P_i \times (RPI2_i + 100)}{100}$$

(f) H1P_i shall equal the profit (which may be either positive or negative) before interest income and expense, tax (on gross or net income, profits or gains, together with all penalties, charges and interest relating to any of them and regardless of whether any of the same are chargeable or attributable to that Generator or to any other person but after setting off any relief, allowance or credit in respect of any such tax or any deduction in computing income, profits or gains for the purposes of any such tax) and extraordinary items (determined on a historic cost basis) of that Generator in relation to its Generation Business in the first six months of financial year i as shown in the interim profit and loss account of that Generator for the first six months of financial year i prepared in accordance with paragraph 3(b)(ii) of Condition 2 of the Generation Licence of that Generator and delivered to the Director in accordance with paragraph 3(d) of that Condition where the sum of H1P_i and H2P_i exceeds zero but shall otherwise equal zero, expressed in pounds sterling.

(g) H2P_i shall equal the difference between (i) the audited profit (which may be either positive or negative) before interest income and expense, tax (on gross or net income, profits or gains, together with all penalties, charges and interest relating to any of them and regardless of whether any of the same are chargeable or attributable to that Generator or to

any other person but after setting off any relief, allowance or credit in respect of any such tax or any deduction in computing income, profits or gains for the purposes of any such tax) and extraordinary items (determined on a historic cost basis) of that Generator in relation to its Generation business for the financial year i as shown in the profit and loss account of that Generator for that financial year prepared in accordance with paragraph 3(b)(i) of Condition 2 of the Generation Licence of that Generator and delivered to the Director in accordance with paragraph 3(d) of that Condition, and (ii) $H1P_i$, where the sum of $H1P_i$ and $H2P_i$ exceeds zero but shall otherwise equal zero, expressed in pounds sterling.

(h) $H1P_{-1}$
and $H2P_{-1}$

shall equal $H1P_i$ and $H2P_i$ respectively for the financial year which at the commencement of the relevant Security Period is the most recent financial year for which the financial statements required by paragraph 3(b) of Condition 2 of the Generation Licence of that Generator have been delivered to the Director in accordance with paragraph 3(d) of that Condition.

(i) $H1P_{-2}$
and $H2P_{-2}$

shall equal $H1P_i$ and $H2P_i$ respectively for the financial year preceding the financial year which at the commencement of the relevant Security Period is the most recent financial year for which the financial statements required by paragraph 3(b) of Condition 2 of the Generation Licence of that Generator have been delivered to the Director in accordance with paragraph 3(d) of that Condition.

(j) $H1P_{-3}$
and $H2P_{-3}$

shall equal $H1P_i$ and $H2P_i$ respectively for the financial year two years before the financial year which at the commencement of the relevant Security Period is the most recent financial year for which the financial statements required by paragraph 3(b) of Condition 2 of the Generation Licence of that Generator have been delivered to the Director in accordance with paragraph 3(d) of that Condition.

(k) $RPI1_i$

shall equal the percentage change (whether of a positive or a negative value) in the Retail Prices Index between the index published or determined with respect to June in financial year i and the index published or determined with respect to the month in which the mid point of the relevant Security Period falls.

(l) $RPI2_i$

shall equal the percentage change (whether of a positive or a negative value) in the Retail Prices Index between the index published or determined with respect to December in financial year i and the index

published or determined with respect to the month in which the mid point of the relevant Security Period falls.

- (m) DH1S shall equal the number of completed days in the relevant Security Period which occur between 1 January and 30 June inclusive.
- (n) DH2S shall equal the number of completed days in the relevant Security Period which occur between 1 June and 31 December inclusive.
- (o) DH1_i except in the first financial year, shall equal the number of days in the first six months of financial year i, and in the first financial year shall equal the number of days between 1 April and 30 June.
- (p) DH2_i shall equal the number of days in the second six months of financial year i.

PROVIDED THAT:

- (A) Where that Generator has not carried on its Generation Business sufficiently long for H1P₃ to be available, the Notional Security Period Profit for that Generator shall be given by the formula for Z expressed above but setting the variables H1P₃, H2P₃, DH1₃ and DH2₃ to zero.
- (B) Where that Generator has not carried on its Generation Business sufficiently long for H1P₂ to be available, the Notional Security Period Profit for that Generator shall be given by the formula for Z expressed above but setting the variables H1P₃, H2P₃, DH1₃, DH2₃, H1P₂, H2P₂, DH1₂ and DH2₂ to zero.
- (C) Where that Generator has not carried on its Generation Business sufficiently long for H1P₁ to be available, the Notional Security Period Profit for that Generator shall be such amount as the Director may, in his sole, absolute and unfettered discretion, determine.

