Phoenix Natural Gas Limited

~~COMBINED~~ LICENCE~~S~~ FOR THE CONVEYANCE ~~AND SUPPLY~~ OF GAS IN NORTHERN IRELAND

~~COMBINED LICENCES~~ LICENCE FOR THE CONVEYANCE ~~AND SUPPLY~~ OF GAS IN NORTHERN IRELAND

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GRANT AND TERM OF LICENCES

Combined Licences granted under Article 8 of the Gas (Northern Ireland) Order for the Conveyance and Supply of gas

The Grant

1. Grant of Licences

The Department, in exercise of the powers conferred by Article 8(1) of the Gas (Northern Ireland) Order 1996 (the "Order") grants to Phoenix Natural Gas Limited (the "Licensee") the following licences:

(a) a licence to convey gas in the areas designated in Schedule 1 during the period specified in paragraph 3 below, subject to the Conditions set out in Parts 1 and 2 and the Schedules of this Licence Document; and

(b) a licence to supply gas in the areas designated in Schedule 1 during the period specified in paragraph 3 below, subject to the Conditions set out in Parts 1 and 3 and the Schedules of this Licence Document.

2. Modification and Revocation of Conditions

The Conditions referred to above are subject to modification or amendment in accordance with their terms and/or with Articles 9, 14, 17, 17A and 18 of the Order and/or with any provision for the modification of the same in the Energy Order. Each of the licences granted is further subject to the terms as to revocation specified in Schedule 3 of this Licence Document.

3. Term of Licences

Each of the licences granted shall come into force on 5th September 1996 and, unless revoked in accordance with the terms specified in Schedule 3, shall continue in force until determined by not less than 25 years notice in writing given by the Department to the Licensee in relation to that licence, such notice not to be served earlier than 1st January, 2007.

5 September 1996

David Gibson

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Deputy Secretary

Department of Economic Development

PART 1

GENERAL CONDITIONS APPLICABLE TO THE LICENCE HOLDER

Condition 1.1: Interpretation and Construction

1.1.1 Interpretation Act (Northern Ireland) 1954 and Gas (Northern Ireland) Order 1996

Unless the contrary intention appears:

(a) words and expressions used in this ~~or any of the following Parts of this~~ Licence Document ~~or in the Schedules hereto~~ shall be construed as if they were in an enactment and the Interpretation Act (Northern Ireland) 1954 applied to them;

(b) references to an enactment shall include subordinate legislation and in both cases any statutory modification or re-enactment thereof after the date when ~~the licences granted by~~ this Licence Document comes into force; and

(c) words and expressions defined in the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 shall have the same meaning when used in this ~~or any of the following Parts of this~~ Licence Document ~~or in the Schedules hereto~~.

1.1.2 General Rules of Construction

Unless otherwise specified:

(a) any reference to a numbered Part or Schedule is a reference to the Part or Schedule bearing that number;

(b) any reference to a numbered Condition is a reference to the Condition bearing that number in the Part in which the reference occurs and within any Condition a reference to "this Condition" shall be to the whole of the Condition under its heading;

(c) any reference to "the Conditions" in relation to ~~either~~the licence granted by this Licence Document means the Conditions to which ~~that~~the licence is subject under this Licence Document; and references to "any Conditions" and to any cognate expression shall be construed accordingly;

(d) any reference to a numbered paragraph is a reference to the paragraph bearing that number in the Part, Condition or Schedule in which the reference occurs; and

(e) (without prejudice to any provision which restricts such variation, supplement or replacement) any reference to any agreement, licence (other than ~~the licences granted by~~ this Licence Document), code or other instrument shall include a reference to such agreement, licence, code or other instrument as varied, supplemented or replaced from time to time.

1.1.3 Headings

The heading or title of any Part, Condition, Schedule or paragraph shall not affect the construction thereof.

1.1.4 Time Related Obligations

Save as otherwise provided in Condition 1.2.1, where any obligation of the Licensee is expressed to require performance within a specified time limit that obligation shall continue to be binding and enforceable after that time limit if the Licensee fails to perform that obligation within that time limit (but without prejudice to all rights and remedies available against the Licensee by reason of the Licensee's failure to perform within the time limit).

1.1.5 Natural Persons

These Conditions shall have effect as if, in relation to a licence holder who is a natural person, for the words "it", "its" and "which" there were substituted the words "he", "his" or "whom" and cognate expressions shall be construed accordingly.

1.1.6 Definitions

Except where expressly stated to the contrary and unless the context otherwise requires, the following terms shall have the meanings ascribed to them below:

"affiliate"	means, in relation to any person, any company which is a subsidiary of such person or a company of which such person is a subsidiary or a company which is another subsidiary of a company of which such person is a subsidiary;
"amount"	means, in relation to gas the energy content thereof expressed in therms or kilowatt hours; except with effect from 1st January 2000, it means the said content expressed in kilowatt hours;
"auditors"	means the Licensee's auditors for the time being holding office in accordance with the requirements of the Companies (Northern Ireland) Order 1986;
"Authority"	means the Northern Ireland Authority for ~~Energy~~Utility Regulation;
"authorisation of persons"	means the power of the Licensee to authorise persons, pursuant to Schedule 5 of the Order;
"balancing"	means (in relation to the Network and relevant period for balancing under ~~each~~the Network Code) taking such measures as may be available to the Licensee, in particular measures: (i) for managing the relationship between deliveries of gas to and offtakes from the Network during that period; and (ii) to maintain pressures in the Network at all levels; which will in the reasonable opinion of the Licensee,

	ensure the safety and efficiency of the Network in that or any subsequent relevant period;
"consumer"	means any person supplied with gas to premises;
“Department”	means the Department of Enterprise, Trade and Investment;
"development plan"	means the Licensee's plan to develop the Network under Schedule 4;
“distribution pipeline”	means any pipeline which is not a transmission pipeline.
"district"	means an area so designated in an approved map under Schedule 1;
"domestic consumer"	means a person who is supplied with gas conveyed to premises at a rate which is reasonably expected not to exceed 2,500 therms a year;
“Electoral Ward”	means the spatial unit used to elect local government councillors into district council areas, as at 15 March 2006. Any dispute as to the boundaries of such spatial unit shall be determined by the Authority by reference to the map of such spatial unit held at the Northern Ireland Statistics and Research Agency;
“Energy Order”	means the Energy (Northern Ireland) Order 2003;
“Exclusive Area”	means the area referred to in paragraphs 1.1(a), 1.1(e) and 1.2(b)-(g) of Schedule 1 (as comprising part of the Licensed Area) which is designated under Article 9 of the Order as being the area in which the Licensee has exclusive authority to carry on the conveyance of gas in accordance with the

provisions of this Licence Document~~;~~.

2. The areas to which conveyance exclusivity under the licence is to be extended (until 31 December 2016) are:

(a) the areas within the boundaries of the following Electoral Wards:

(i) Comber North;

(ii) Comber South;

(iii) Comber East;

(iv) Comber West; and

(v) Lisbane; and

(b) the Temple Quarry area comprising:

(i) the premises at the Temple Quarry, 26 Ballycarngannon Road, Lisburn, BT27 6YA;

(ii) the land in on or over which the Quarry Pipeline is situated;

(iii) any premises which are, at any given location, situated within a 50 metre radius of the Quarry Pipeline; and

(iv) the land in on or over which pipelines are situated for the purpose of conveying gas to premises specified in paragraph (b)(iii) above,

where "the Quarry Pipeline" means the distribution pipeline of the Licensee which pipeline follows the route of the A24 (as proceeding South from the boundary of the area

described in paragraph 1.1(a) of Schedule 1) continuing South along the A24 to the junction of the Carr Road, continuing North-West along the Carr Road to the junction with the B178, continuing South-West along the B178 to the junction with the Ballycarngannon Road and continuing south along the Ballycarngannon Road to (and terminating at) the premises specified in paragraph (b)(i) above.

(c) the McQuillan Quarry area comprising:

(i) the premises at the McQuillan Quarry, 15 Sycamore Road, Budore, BT29 4JE;

(ii) the land in on or over which the McQuillan Quarry Pipeline is situated;

(iii) any premises which are, at any given location, situated within a 50 metre radius of the McQuillan Quarry Pipeline; and

(iv) the land in on or over which pipelines are situated for the purpose of conveying gas to premises specified in paragraph (c)(iii) above,

where "the McQuillan Quarry Pipeline" means the distribution pipeline of the Licensee which pipeline follows the route of the Upper Springfield Road, Divis Road, Tornaroy Road, Wheelers Road, Tornagrough Road, Tullyrusk Road and continuing along the Sycamore Road to (and terminating at) the premises specified in paragraph (c)(i) above.

~~"~~"exemption holder~~"~~"	means the holder of an exemption under Article 7 of the Order;
"exercise of powers of entry"	means the Licensee entering any premises, in accordance with the powers conferred by Schedule 5 of the Order;
"gas supplier"	means any person authorised by licence under Article 8 of the Order or by exemption under Article 7 of the Order to supply gas~~ including the Licensee as so authorised or exempted~~;
"General Consumer Council"	means the General Consumer Council for Northern Ireland.
"Grant"	means the commencing section of this ~~LicenceDocument~~Licence Document by which the Department grants the Licensee ~~each of~~ the ~~licences~~licence;
"information"	includes documents, accounts, estimates, returns, reports or other information;
"Licence Document"	means the Grant of ~~the combined licences~~this conveyance licence to the Licensee and Parts ~~1, 2 and 3~~1and 2 of this conveyance licence together with the ~~four~~ Schedules thereto;
"Licensed Area"	means the area in which the Licensee is authorised to convey~~ gas and to supply~~ gas pursuant to Schedule 1 of this Licence Document;
"Licensed Business"	means the activities connected with the conveyance of gas pursuant to the conveyance licence granted under paragraph 1(a) of the Grant;
"Licensee"	means Phoenix Natural Gas Limited;

"Network"	"means all the pipe-lines (as defined by the Gas (Northern Ireland) Order 1996, and shall also include any plant, equipment or apparatus used for, or for any purposes connected with, the conveyance of gas) within the Licensed Area that are owned and/or operated by any licensee, which pipe-lines shall, in the case of conveyance to consumer's premises and for the purposes of this definition, be deemed to terminate immediately prior to the inlet of the first gas meter at such premises:"
"Order"	means the Gas (Northern Ireland) Order 1996;
"person"	means any company, firm, partnership, association, body corporate or individual;
"quarter"	means a period of three calendar months;
"related undertaking"	means any undertaking in which any person has a participating interest as defined by Article 268 of the Companies (Northern Ireland) Order 1986;
"separate accounts"	means the accounts which are to be prepared for each Separate Business;
"Separate Business"	means each of the activities of the Licensee connected with: (a) the conveyance of gas by means of ~~transmission pipeline pursuant to a licence granted in accordance with Article (8)(1)(a) of the Order; and(b) the conveyance of gas by means of~~ distribution pipeline pursuant to a licence granted in accordance with Article (8)(1)(a) of the Order; and

(~~c~~b) the storage of gas pursuant to a licence granted in accordance with Article 8(1)(b) of the Order~~; and~~.

~~(d) the supply of gas pursuant to a licence granted in accordance with Article 8(1)(c) of the Order;~~

each taken separately from one another and from any other business of the Licensee or any affiliate or related undertaking of the Licensee, but so that where all or any part of any such business is carried on by an affiliate or related undertaking of the Licensee (save in respect of an affiliate or related undertaking which has a separate licence or exemption), such part of the business as is carried on by that affiliate or related undertaking shall be consolidated with any other such business of the Licensee (and of any other affiliate or related undertaking of the Licensee) so as to form a single Separate Business; and

"subsidiary" has the same meaning as given to it in Article 4 of the Companies (Northern Ireland) Order, 1986.

"transmission pipeline" means any pipeline having a design operating pressure exceeding 7 bar gauge.

1.1.7 References to energy

References to amounts of gas in therms shall with effect from 1st January 2000 be converted to equivalent amounts of gas in kilowatt hours.

1.1.8 Singular/plural

The terms defined under Condition 1.1.6 shall include the singular and the plural, as the context requires.

1.1.9 Application

The Conditions shall only apply to the activities of the Licensee carried out in Northern Ireland.

1.1.10 Grant

The licence to supply gas referred to in paragraph 1(b) of the Grant was revoked with the agreement of the Licensee on 2009.

Condition 1.2: Long Term Development Plan

1.2.1 The Licensee's Development Plan

The Licensee shall:

(a) continue to develop the Network in the Licensed Area in accordance with paragraph 1 of Schedule 4 if at any time it has ceased under Condition 2.2.3 to be entitled exclusively to convey gas to premises in any three districts or in the whole of the Licensed Area;

(b) such obligation shall include the development of the Network with respect to those three districts or the Licensed Area as the case may be (notwithstanding such cessation of exclusivity) as soon as is reasonably practicable having regard to Schedule 4; and

(c) where the Licensee should cease to be entitled exclusively to convey gas to premises in any three districts, then such obligation to develop the Network with respect to the other remaining districts shall be to do so whether or not the Licensee should subsequently cease to be entitled exclusively to convey gas to premises in any of those other remaining districts;

provided that the Licensee's obligations under this Condition 1.2.1 shall cease if within six months of the Licensee's loss of exclusivity the Licensee has not continued to develop the Network, in contravention of Condition 1.2.1(a), and the Authority has not given the Licensee notice that it intends to make a provisional or final order for the purposes of and under Article 42 of the Energy Order.

1.2.2 Annual Development Plan Report

Without prejudice to the generality of Condition 1.2.1 the Licensee shall no later than the 1st March of each year provide the Authority with a report of its progress in the development of the Network ~~and in supplying gas~~ in the Licensed Area for the immediately preceding year ending on the 31st December having regard for;

(a) the development of the Network under paragraphs 1 and 4 of Schedule 4; and

(b) the development of the markets under paragraphs 2 and 4 of Schedule 4,

and further shall by that report set out for the next succeeding three years its planned development of the Network ~~and its gas supply marketing plans~~ having regard to the above matters. The obligations to provide such a report shall~~:(c)~~ cease generally in respect of the year following the twelfth anniversary of the date of the Grant and each succeeding year thereafter~~; and(d) particularly with regard to the gas supply marketing plans shall cease earlier with respect to those markets for gas in which there is or is reasonably likely to be competition from other suppliers of gas~~.

1.2.3 Publication of Report

The Licensee shall, subject to any requirement to comply as is appropriate with the listing rules (within the meaning of Part IV of the Financial Services Act 1986) of the Stock Exchange and with Condition 1.2.4:

(a) publish the report provided under Condition 1.2.2 in such form and manner as the Authority may direct; and

(b) send a copy of that report to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which shall not exceed such amount as the Authority may from time to time direct.

1.2.4 Particular interests

In complying with the requirements of Condition 1.2.3, the Licensee shall have regard to the need for excluding, so far as practicable:

(a) any matter which relates to the affairs of an individual, where the publication of that matter would or might seriously and prejudicially affect the interests of that individual; and

(b) any matter which relates specifically to the affairs of a particular body of persons, whether corporate or unincorporated where publication of that matter would or might seriously and prejudicially affect the interests of that body;

and in directing the publication of the report under Condition 1.2.3 the Authority shall have regard, so far as practicable, to the need to exclude publication of a matter that would or might seriously and prejudicially affect the commercial interests of the Licensee in its business ~~comprising the supply of gas carried out under the licence given under paragraph 1(b) of the Grant~~.

1.2.5 Determination by Authority of particular interests

Except in so far as the Authority consents to the Licensee not doing so, the Licensee shall refer for determination by the Authority any question as to whether any matter seriously and prejudicially affects the interests of an individual or a body of persons or of the Licensee.

Condition 1.3: Separate Accounts for Separate Businesses

1.3.1 Financial years

For the purposes of this Condition the first financial year of the Licensee shall run from the 5th September 2006 to 31st December 2007 and thereafter each financial year of the Licensee shall run from 1st January to the following 31st December.

1.3.2 Separate Business Accounting

This Condition applies for the purposes of ensuring that the Licensee (in conjunction with any affiliate or related undertaking of the Licensee) maintains internal accounting and reporting arrangements which:

(a) enable separate financial statements to be prepared for each Separate Business and showing the financial affairs of each such Separate Business; and

(b) facilitate the avoidance of discrimination, cross-subsidisation or distortion of competition between the Licensed Business and any other business of the Licensee.

In this regard the Licensee shall not be required to prepare such financial statements as if they were annual accounts (in relation to each Separate Business) prepared under Article 236 of the Companies (Northern Ireland) Order 1986, but shall be required to prepare such accounts in accordance with this Condition.

1.3.3 Separation of Internal Accounts

The Licensee shall keep proper books of account and records in such a form that the revenues and costs, assets and liabilities of, or reasonably attributable to, each Separate Business are separately identifiable in the books of the Licensee from those of any other business. Then the Licensee shall, so far as is reasonably practicable, prepare for each Separate Business on a consistent basis with its accounting records in respect of each financial year, financial statements comprising:

(a) a profit and loss account;

(b) a statement of net assets at the end of the period;

(c) a cash flow statement for the period with a reconciliation to the financial statements specified in sub-paragraphs (a) and (b) above; and.

(a) a balance sheet.

1.3.4 Apportionment

The financial statements prepared under Condition 1.3.3 shall set out and fairly present the costs (including depreciation), revenues, assets employed and liabilities of, or as may be reasonably attributable to, each Separate Business and showing separately and in appropriate detail the amounts of any revenue, cost, asset or liability which has been:

(a) charged from or to any other business of the Licensee (or of any affiliate or related undertaking of the Licensee); and/or

(b) apportioned between that Separate Business and any other business (such apportionment to be undertaken in accordance with the basis of apportionment approved by the Authority in accordance with Condition 1.3.5),

together with a description of the charge or basis of apportionment.

1.3.5 Basis of apportionment

The Licensee shall, before the financial year commencing on 1st January 1997, notify the Authority of the basis of apportionment that it proposes to use for the financial statements in respect of each Separate Business for that financial year, and:

(a) the basis of apportionment in respect of those financial statements shall be the basis so proposed by the Licensee unless the Authority following consultation with the Licensee gives a direction requiring the use of any other basis; and

(b) except in so far as the Authority consents to the Licensee doing so, the Licensee shall not change any basis of apportionment used in the financial statements in respect of any Separate Business for any financial year subsequent to the financial year commencing on 1st January 1997 from the basis used in the financial statements in respect of that Separate Business for that financial year.

1.3.6 Auditor's Reports

In respect of each set of financial statements prepared in accordance with this Condition in respect of a financial year, the Licensee shall:

(a) procure a report by the auditors and addressed to the Authority stating whether in their opinion that set of financial statements have been properly prepared in accordance with this Condition and give a true and fair view of the revenues, costs, assets and liabilities of, or reasonably attributable to, the Separate Business to which they relate; and

(b) use its reasonable endeavours to procure a report by the auditors and addressed to the Authority verifying that the internal accounting and financial reporting arrangements of the Licensee are implemented in such a way as to ensure that there is no discrimination, cross-subsidisation or distortion of competition between the Separate Business and any other business of the Licensee..

1.3.7 Copies of accounts and auditor's reports to be provided to the Authority

The Licensee shall provide the Authority with a copy of each set of financial statements and auditor's reports required under this Condition as soon as reasonably practicable and in any event not later than six months after the end of each financial year.

1.3.8 Form of financial statements

Financial statements prepared for the purposes of this Condition shall, so far as reasonably practicable and unless otherwise approved by the Authority having regard to the purposes of this Condition:

(a) conform to UK generally accepted accounting principles and practices;

(b) state the accounting policies adopted; and

(c) be so prepared to a level of detail as may reasonably be required by the Authority and so that they may be reconciled with the published accounts of the Licensee under the Companies (Northern Ireland) Order 1986.

1.3.9 Publication of Accounting Statements

The Authority may for the financial year commencing on 1st January 2000 and each succeeding financial year direct the Licensee to publish such accounting statements and reports (including but not limited to an auditor's report) as the Licensee is required to deliver to the Authority under this Condition 1.3 with the annual accounts of the Licensee. Provided however, that any part of such statements and reports which shows separately amounts charged, apportioned or allocated between Separate Businesses, and describes the basis of charge or apportionment or allocation shall, at the request of the Licensee, be excluded from publication where the Authority is reasonably satisfied that publication would or might seriously and prejudicially affect the commercial interests of the Licensee in its business.

1.3.10 Construction of "costs or liabilities"

References in this Condition to costs or liabilities of, or reasonably attributable to, any Separate Business shall be construed as excluding taxation, capital liabilities which do not relate principally to a particular Separate Business, and interest thereon; and references to any accounting statement shall be construed accordingly.

1.3.11 Additional Definition

"UK generally accepted accounting principles and practices" means the principles and practices prevailing from time to time in the United Kingdom which are generally regarded as permissible or legitimate by the accountancy profession irrespective of the degree of use.

1.3.12 The Licensee shall set out in notes to its annual accounts any transactions relating to the Licensed Business over £500,000 with related undertakings.

For the purpose of this Condition 1.13.12, a “related undertaking” is:

(a) any company in respect of which the Licensee (or its parents or subsidiaries) holds 20% or more of the shares;

(b) any company in respect of which the Licensee (or its parents or subsidiaries) has the right to appoint or to remove a majority of the members of the board and is at the same time either a shareholder in that company or controls, pursuant to a shareholders' agreement, a majority of voting rights in that undertaking.

Condition 1.4: Provision of Information to the Authority

1.4.1 Furnishing information

Subject to Conditions 1.4.2 and 1.4.3 below, the Licensee shall~~, in relation to each licence granted by this Licence Document,~~ furnish to the Authority, in such manner and at such times as the Authority may reasonably require, information as the Authority may reasonably require or as may be necessary for the purpose of performing:

(a) the functions assigned to it by or under the Order or the Energy Order; and

(b) any functions transferred to it under the Order or the Energy Order.

1.4.2 Licensee to comment on accuracy of information

This Condition shall not apply in respect of any function of the Authority under Articles 14(1)(a) and 27 of the Order or under Article 7 of the Energy Order but the Licensee shall, if requested by the Authority, give reasoned comments on the accuracy (so far as it relates to any of its licensed activities), of any information or advice which the Authority proposes to publish pursuant to Article 7 of the Energy Order.

1.4.3 Condition 1.4 exclusive of other powers to require information

The power of the Authority to call for information under this Condition is in addition to the power of the Authority to call for information under or pursuant to any other Condition or Schedule.

1.4.4 Condition 1.4 and other powers to require information

Where the Licensee is or can be required to provide information to the Authority under any Condition other than this Condition, there shall be a presumption that the provision of that information in accordance with the Condition in question is sufficient for the purposes of that Condition, but that presumption shall be rebutted and shall not limit the right of the Authority to call for further information under Condition 1.4.1 if it states in writing that in its opinion such information is, or is

likely to be, necessary to enable it to exercise functions under the Condition in question.

1.4.5 Limitation on obligation to furnish information

This Condition shall not require the Licensee to furnish any information which the Licensee could not be compelled to produce or give in evidence in civil proceedings in the High Court.

Condition 1.5: Consultation with the General Consumer Council

1.5.1 Policy statements for General Consumer Council

The Licensee shall in due time consult with the General Consumer Council in the formulation of:

(a) its policies for the conduct of its business activities relating to the conveyance ~~and supply~~ of gas insofar as they may affect consumers; and

(b) the general arrangements for their implementation;

and shall:

(c) give the General Consumer Council reasonable notice of the publication, announcement or implementation (if no publication or announcement is made) of details of any significant change in any such policies and general arrangements; and

(d) give to the General Consumer Council as the General Consumer Council may reasonably request an explanation of any such significant change and of the implementation of those policies.

Condition 1.6: Restriction on Use of Certain Information

1.6.1 Application

This Condition applies where the Licensee has a licence to convey gas by virtue of the Grant.

1.6.2 Use of protected information

Where the Licensee or any affiliate or related undertaking of the Licensee receives protected information, the Licensee shall (and shall procure that such affiliate or related undertaking shall) procure:

(a) that the Licensee shall not obtain any unfair commercial advantage from its possession of protected information with respect to any Separate Business that is not engaged in the conveyance of gas;

(b) that protected information is not used by any other person for the purpose of obtaining for that person:

(i) any unfair commercial advantage from its possession of protected information;

(ii) any licence;

(iii) any exemption;

(iv) control of any body corporate which, directly or indirectly, has the benefit of any such licence or exemption; and

(c) that protected information is not disclosed except with the prior consent in writing of the relevant person to whose affairs the protected information relates;

provided that the obligation on the Licensee:

(d) to procure the above in relation to an affiliate or related undertaking which has control of the Licensee (control being defined by Section 416 of the Income and Corporation Taxes Act 1988), shall be to do so by using reasonable endeavours and obtaining an appropriate contractual undertaking from that affiliate or related undertaking in respect of such protected information; and

(e) not to obtain any unfair commercial advantage from its possession of protected information under Condition 1.6.2(a) shall be construed to exclude protected information received by any Separate Business not engaged in the conveyance of gas independently of the Separate Business engaged in the conveyance of gas.

1.6.3 Compliance with directions

The Licensee shall implement such measures and procedures and take all such other steps as shall be specified in directions issued by the Department from time to time under Article 45 of the Order or otherwise for the purposes of this Condition as reasonably appear to the Department to be requisite or expedient for the purpose of securing compliance by the Licensee with its obligations under Condition 1.6.2 in the conduct of its business to convey gas.

1.6.4 Limitation of non disclosure obligations

Condition 1.6.2(c) shall not apply to any disclosure of information:

(a) authorised by Article 63(3) or (4) of the Energy Order; or

(b) made in compliance with the duties of the Licensee or any affiliate or related undertaking of the Licensee under the Order or the Energy Order or by any other requirement of a competent authority; or

(c) made in compliance with the Conditions of ~~the licences granted by~~ this Licence Document or any document referred to in this Licence Document with which the Licensee or any affiliate or related undertaking of the Licensee is

required by virtue of the Order or the Energy Order or ~~such licences~~this Licence Document to comply.

1.6.5 Additional definition

In this Condition:

"protected information"	means any commercially confidential information which relates to the affairs of a person who is not an affiliate or related undertaking of the Licensee holding a licence or exemption to convey, store or supply gas or any affiliate or related undertaking of that person which has been furnished to or otherwise acquired by the Licensee under or pursuant to or in the course of any dealings with that person or any affiliate or related undertaking of his other than information which is in, or comes into, the public domain other than as a result of breach by the Licensee of this Condition or of any Conditions of ~~any licence granted under~~ this Licence Document.

Condition 1.7: Powers of Entry

1.7.1 Arrangements for powers of entry

The Licensee shall, unless it has done so before being licensed, in relation to ~~each~~the licence granted under paragraph 1(a~~) and paragraph 1(b~~) of the Grant and within six months of such licence coming into force:

(a) submit to the Authority a statement of its proposed arrangements in respect of the matters mentioned in Condition 1.8;

(b) if within 30 days of such submission the Authority notifies the Licensee that, in its opinion, the arrangements are not sufficient for the purposes of Condition 1.8, make changes to the arrangements requisite to secure compliance with such conditions as are specified by the Authority; and

(c) make such arrangements;

and the arrangements so made in this Condition and in Condition 1.8 are referred to as "the arrangements".

1.7.2 Changes in arrangements for extensions to licence

In the event of an extension of its licence, the Licensee shall ensure that the arrangements remain sufficient for the purposes of Condition 1.8 and shall make, subject to Condition 1.7.3, any necessary changes.

1.7.3 Consent of Authority to changes

The Licensee shall not make any material change to the arrangements except with the consent of the Authority, which consent shall not be unreasonably withheld and shall be deemed to have been given, unless refused in writing within 2 months of receipt by the Authority of the application to make a material change by the Licensee.

1.7.4 Conduct with domestic consumers

The Licensee shall use its best endeavours to ensure that, so far as is reasonably practicable, when exercising powers of entry under Schedule 5 to the Order, it conducts itself towards domestic consumers to whose premises the Licensee arranges for gas to be conveyed ~~or supplied~~ in conformity with the arrangements.

Condition 1.8: Authorisation of Persons

1.8.1 Steps to be included in the arrangements

The arrangements shall comprise all reasonable steps:

(a) for securing that no person is authorised for the purpose of any provision of Schedule 5 to the Order unless in the reasonable opinion of the Licensee he is a fit and proper person to enjoy the rights conferred by that provision;

(b) for securing that any person authorised for the purpose of any provision of Schedule 5 to the Order possesses appropriate expertise to perform the particular task that he will be required to undertake under the provision in question;

(c) for securing that a member of the public may readily confirm the identity or authority of a person authorised for the purpose of any provision of Schedule 5 to the Order;

(d) for securing that identity cards, uniforms, liveried vehicles and other things conveying evidence of authority or identity in relation to the Licensee are not misused; and

(e) for securing that all persons authorised by the Licensee comply with the provisions for entry where any justices' warrant is issued under Schedule 5 paragraph 6 to the Order.

1.8.2 Licensee not to authorise a person to exercise any powers of entry unless steps described in the arrangements above are complied with

The Licensee shall not authorise any person to exercise any powers of entry conferred by Schedule 5 to the Order unless the steps provided for in the arrangements described in Condition 1.8.1(a), (b) and (c) have been complied with and it appears to the Licensee that he is such a fit and proper person.

1.8.3 Licensee to take reasonable steps to keep relevant persons informed

Except in so far as the Authority otherwise consents, if in respect of any premises any person so authorised is an officer or employee of an agent of the Licensee, the Licensee shall take reasonable steps to inform and keep informed all persons to whom the information is relevant, including its domestic consumers and any other licence holders, naming the agent in question and shall give that information in a verifiable and authoritative manner.

~~1.8.4 Information provided in invoice~~

~~It shall be a sufficient compliance with Condition 1.8.3 for the information to be given on or with an invoice or account which is rendered to a consumer in respect of the supply of gas within four months of the appointment of an agent being made or varied.~~

Condition 1.9: Exercise of Powers of Entry

1.9.1 Licensee to avoid undue disturbance

In exercising the powers of entry conferred on it by Schedule 5 to the Order, the Licensee shall avoid undue disturbance to owners or occupiers of premises as a result of visits being made to their premises by persons authorised by the Licensee.

1.9.2 Construction of Condition 1.9.1

In this Condition any reference to the conferring on the Licensee of powers of entry under Schedule 5 to the Order or to the exercise of such powers shall be construed as a reference to the conferring on a person authorised by the Licensee of such powers and the exercise by such an authorised person of those powers.

Condition 1.10: Modifications

1.10.1 Modification of Licence Conditions

The Conditions of ~~each of~~ the ~~Licences~~licence granted by this Licence Document are subject to modification in accordance with their terms or with Articles 9, 14, 17, 17A or 18 of the Order or with any provision for the modification of the same in the Energy Order.

Condition 1.11: Assignment of ~~Licences~~Licence

1.11.1 Licensee's ability to assign its licence

For the purposes of Article 12 of the Order, the Licensee with the prior consent of the Authority, may assign ~~either or both of its licences either generally, or:(a) in~~ the ~~case of a~~ licence granted under paragraph 1(a) of the Grant~~,~~ either generally, or so far as relating to the whole or any part of the Licensed Area~~; and~~.

~~(b) in the case of a licence under paragraph 1(b) of the Grant, so far as relating to the whole or any part of the authority to supply gas under Condition 3.2.1.~~

1.11.2 Matters affecting an assignment

In deciding whether to give its consent under Condition 1.11.1 the Authority shall apply those criteria contained in Article 12(3) of the Order, and any consent shall be subject to compliance with the matters determined by the Authority under Article 12(4) of the Order.

1.11.3 Licensee may not otherwise assign its ~~licences~~licence

Save as the Licensee is authorised to assign its ~~licences~~licence under this Condition, the Licensee may not otherwise assign its ~~licences~~licence without the consent of the Authority.

Condition 1.12: Transfer of Business

1.12.1 Restrictions on transfer of business in conveying gas

Subject to Condition ~~1.12.3,~~1.12.2, the Licensee shall not transfer to another person (the "transferee") all or part of any of its business comprising the conveyance of gas carried out under the licence ~~given~~granted under paragraph 1 (a) of the Grant.

1.12.2 ~~Restrictions on transfer of business in supplying gas~~

~~Subject to Condition 1.12.3, the Licensee shall not transfer to another person (the "transferee") all or part of its business comprising the supply of gas to domestic consumers prior to 1st January 2005 being carried out under the licence given under paragraph 1(b) of the Grant unless:~~

~~(a) the Authority is satisfied that the transferee:~~

~~(i) is or will be licensed to carry out the relevant business from the proposed date of the transfer; and~~

~~(ii) will have the technical and financial capability to comply with the conditions of its licence (subject to any modifications pursuant to Condition 1.12.2(b)) in respect of the relevant business; and~~

~~(b) if the Licensee's licence contains additional conditions which, in the opinion of the Authority, are for the purpose of protecting the interests of consumers, the transferee has given the Authority its consent (in order to give continued effect to those additional conditions) to the modification of the conditions of its licence by way of the insertion of like conditions or ones to the like effect, taking account of the purpose of such conditions, and the Licensee has consented to the modification of such additional conditions in order to give continued effect to the purpose of such conditions.~~1.12.3 Exception to ~~Conditions~~Condition 1.12.1 ~~and 1.12.2~~

Nothing in Conditions 1.12.1 ~~and 1.12.2~~ shall prevent the Licensee from transferring all or the relevant part of its businesses to the assignee where the Authority has consented to the assignment of all or the relevant part of ~~any~~the licence under Article 12 of the Order or the Licensee has assigned all or the relevant part of its licence in accordance with Condition 1.11.

Condition 1.13: Disposal of Relevant Assets

1.13.1 Licensee not to dispose of or relinquish operational control of relevant assets

Except:

(a) in relation to an assignment permitted under Condition 1.11 and the disposal or relinquishing of operational control of any relevant asset necessary for the assignment to have effect; or

(b) in relation to a transfer of business permitted under Condition 1.12 and the disposal or relinquishing of operational control of any relevant asset necessary for the transfer to have effect; or

(c) in so far as the Authority consents to the Licensee so doing; or

(d) in relation to relevant assets which do not form an integral part of the Network, or are not otherwise required for continuous system control and data acquisition or the safe and continuous operation of the Network, which may be the subject of arms length asset and financing leasing arrangements;

the Licensee shall not dispose of or relinquish operational control over any relevant asset if the disposal or relinquishing of control would materially affect its ability to discharge its obligations under the Order or the Energy Order or the carrying on of activities authorised or required by this Licence Document and any question arising under this Condition 1.13.1 as to whether such disposal or relinquishing of control is such as aforesaid shall be determined by the Authority.

1.13.2 Notice to be given to Authority

Save as provided in Condition 1.13.3 or in so far as the Authority otherwise consents, the Licensee shall give to the Authority not less than two months' prior written notice of its intention to dispose of or relinquish operational control over any relevant asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset.

1.13.3 Notice not required for minor disposals

The Licensee shall not be required to give the Authority any notice of its intention to dispose of or relinquish operational control of any relevant asset having a value of less than ~~,~~£20,000 in September 1996 prices (such sum to be adjusted annually by reference to the retail price index), provided that:

(a) the disposal of or relinquishing of operational control of such relevant asset would not materially affect the Licensee's ability to discharge its obligations under the Order or the Energy Order or the carrying on of activities required by this Licence Document; and

(b) the disposal or relinquishing of any such relevant assets does not exceed an aggregate value of ~~,~~£200,000 in September 1996 prices (such sum to be adjusted annually by reference to the retail price index), in any period of twelve months.

1.13.4 Disposal allowed with consent of the Authority

The Licensee may dispose of or relinquish operational control over any relevant asset where:

(a) the Authority confirms in writing that it consents to such disposal or relinquishment before such disposal or relinquishment occurs (which consent may be made subject to the acceptance by the Licensee or any third party in favour of whom the relevant asset is proposed to be disposed or operational control is proposed to be relinquished of such conditions as the Authority may specify); or

(b) the Authority does not inform the Licensee in writing of any objection to such disposal or relinquishment of control within the notice period referred to in Condition 1.13.2.

1.13.5 Consultation with other licence holders

Any consent of the Authority pursuant to Condition 1.13.4 shall be given after the Authority shall have consulted and taken into consideration any representations made in a timely manner by any other licence holder liable to be materially affected by the disposal in question.

1.13.6 Construction of relevant asset

For the purposes of this Condition, relevant asset means any part of the Network operated from time to time by the Licensee or any gas plant used by the Licensee for or for purposes connected with the conveyance of gas~~, or supply of gas~~ in the Licensed Area, together with any estate or interest in land required for the utilisation of the Network or gas plant ~~or any property necessary in the supply of gas~~ not comprised in the Network. ~~Provided that after 31st December 2004 any relevant asset associated with the supply of gas and not in any way or manner with the conveyance of gas shall cease to be a relevant asset for the purposes of this Condition.~~

1.13.7 Additional Definition

In this Condition:

"disposal" includes any sale, assignment, gift, exchange, lease, licence, the grant of any right of possession, loan, security, mortgage, charge or the grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition to a third party and "dispose" shall be construed accordingly.

Condition 1.14: Payment of Fees

1.14.1 Licensee to pay annual fee

In respect of each year, beginning with the date of the Grant for the first year and 1st April for each subsequent year, during which~~ each licence granted to the Licensee by~~ this Licence Document is in force, the Licensee shall pay to the Authority fees of the amounts specified in/determined under the following provisions of this Condition ("the annual fees") except that where ~~any licence~~this Licence Document is in force for part only of such a year, the fees in respect of that year shall be the proportionate part of the annual fees.

1.14.2 Date of payment

Within 30 days of the Authority giving the Licensee notice of the sum due, the Licensee shall pay to the Authority a sum not exceeding ~~,~~£250,000 determined by the Authority in accordance with the principles set out in Conditions 1.14.3(a) and (b) in respect of the fee payable for the year commencing on the date of the Grant and ending on 31st March 1997, and for each subsequent year commencing on 1st April the fees payable by the Licensee under this Condition shall be payable by the Licensee within 30 days of the Authority giving the Licensee notice of the sums due.

1.14.3 Amount of annual fee

In respect of the year beginning on 1st April 1997 and in each subsequent year, the Licensee shall pay to the Authority in relation to ~~each licence granted by~~ this Licence Document a fee which is the aggregate of the following amounts:

(a) an amount equal to the proportion which the Authority shall determine in relation to ~~that~~the licence of the amount estimated by the Authority, according to a method which has previously been disclosed in writing to the Licensee, as likely to be its costs during the year in question (i) in the exercise of its functions under the Order and the Energy Order in relation to the holders of licences granted under ~~Articles~~Article 8(1)(a~~) and (c~~) of the Order and (ii) in connection with the establishment of the Authority and the transfer to the Authority of the functions, property, rights and liabilities of the Director;

(b) in relation to the licences granted under Article 8(1)(a) ~~and (c)~~ of the Order, an amount equal to the proportion which the Authority shall determine in relation to that licence of an amount notified to the Authority by the General Consumer Council and approved by the Department as being the General Consumer Council's estimate of its likely costs during the year in question in the exercise of the functions relating to gas assigned to it by or under the Order and the Energy Order and any other such functions as it has been or may be required to exercise by the Authority or, in the event that the Authority shall not have received such notification by 31 July in the year in question, an amount equal to the said proportion of an amount being the Authority's estimate of such likely costs (having regard to any estimate of such costs in any forward work programme published by the General Consumer Council in respect of the year in question);

(c) an amount which is a proportion as determined by the Authority of the amount estimated by the Authority (in consultation with the Competition Commission) as having been incurred in the year immediately preceding the year in question by the Competition Commission in connection with references made to it under Article 15 of the Order with respect~~:(i) (in relation~~ to the licence or any other licence granted under Article 8(1)(a) ~~only) to the licence granted under Article 8(1)(a) or any other licence granted under Article 8(1)(a)~~ of the Order; and

~~(ii) (in relation to the licence granted under Article 8(1)(c) only) to the licence granted under Article 8(1)(c) or any other licence granted under Article 8(1)(c) of the Order; and~~

(d) the difference (being a positive or negative amount), if any, between:

(i) the amount of the fee paid by the Licensee in respect of the year immediately preceding the year in question in relation to that licence less any refund paid to the licensee in respect of that year under paragraph 1.14.4 below; and

(ii) the amount which that fee would have been in respect of that year~~:(aa)~~ had the amount comprised therein under Condition 1.14.3(a)

been calculated by reference to the total costs of the Authority in connection with its functions under the Order and its functions in relation to gas under the Energy Order (or, where that year commenced on 1 April 2002, the total costs of the Director including, without limitation, any costs incurred by the Director in preparation for the establishment of the Authority, the transfer to the Authority of the functions, property, rights and liabilities of the Director and the abolition of the office of the Director), and the proportion thereof actually attributable to that licence; and

~~(bb) (in the case of the licence granted under Article 8(1)(c) of the Order only) had the amount comprised therein under Condition 1.14.3(b) been calculated by reference to the total costs of the General Consumer Council in connection with the functions referred to in Condition 1.14.3(b) (or, where that year commenced on 1 April 2002, the total costs of the General Consumer Council in connection with the functions assigned to it by or under the Order and any other such functions as it has been required to exercise by the Director) and, where appropriate, the proportion thereof actually attributable to that licence;~~ such total costs being apportioned in each case as determined by the Authority according to a method previously disclosed in writing to the Licensee;

provided that the total fees payable by the Licensee in respect of the amounts determined by the Authority under Conditions 1.14.3(a) and (b) shall not: in respect of the year ending on 31st March 1997 exceed, £250,000; and in respect of any subsequent year commencing on 1st April exceed ~~,~~£500,000 adjusted from September 1996 annually by reference to the retail price index.

1.14.4 In respect of each year beginning on the 1st April 1998 and for each subsequent year the Authority may pay the licensee an amount ("the refund") calculated in accordance with the method previously disclosed in writing to the licensee and by reference to the difference between:

(a) the proportion of the licence fee for that year paid by the licensee which is attributable to the Authority's estimate in accordance with paragraph 1.14.3(a) and the estimate of the General Consumer Council or the Authority (as appropriate) in accordance with paragraph 1.14.3(b) above; and

(b) the Authority's reasonable revised estimate of those costs (taking account of any revised estimate of the costs referred to in paragraph 1.14.3(b) which is approved by the Department and notified to the Authority by the General Consumer Council;

provided that any such refund shall be paid to the licensee on or before 31st March in the year to which the licence relates.

1.14.5 Definition for the purpose of this Condition

In this Condition 1.14, the "Director" means the Director General of Gas for Northern Ireland.

Condition 1.15: Notices

1.15.1 Notices

All notices to be given under any Condition of ~~either of~~ the ~~licences~~licence granted by this Licence Document shall be in writing and shall be deemed to have been properly given if delivered in person or sent by registered mail or transmitted by facsimile to the relevant party at the address set out below or at such other address as that party may from time to time specify in writing to the others:

Licensee: Phoenix Natural Gas ~~Ltd~~Limited
197 Airport Road West
Belfast
BT3 9ED
Northern ~~IrelandFacsimile~~Ireland
Facsimile Telephone Number 028 9055 5500

Authority: Northern Ireland Authority for ~~Energy~~Utility Regulation,
~~Brookmount Buildings,~~
Queen's House,
~~42 Fountain~~14 Queen Street,
Belfast, BT1 ~~5EE~~6ER
Facsimile Telephone Number (02890) ~~311740~~311575

Department: Department of Enterprise, Trade and Investment,
Energy Division,
Netherleigh ~~House~~,
Massey Avenue,
Belfast, BT4 2JP
Facsimile Telephone Number (02890) 529549

1.15.2 Receipt

Any notice given under the provisions of Condition 1.15.1 shall be deemed to have been duly delivered and received:

(i) at the actual time of delivery, if delivered personally;

(ii) three (3) working days subsequent to the date of posting, if sent by registered mail; and

(iii) at the time of receipt, if transmitted by facsimile where there is confirmation of uninterrupted transmission by a transmission report and provided that the original of the notice is then delivered personally or sent by registered mail as soon as reasonably practicable.

Condition 1.16: Independence of the Licensed Business

1.16.1 Application

This Condition shall apply where the Licensee (or any affiliate or related undertaking of the Licensee) is at any time carrying on the activities of a Gas Supply Business.

1.16.2 Managerial and operational independence

Where this Condition applies the Licensee shall:

(a) unless it has already done so prior to this Condition coming into force, establish; and

(b) at all times thereafter maintain,

the full managerial and operational independence of the Authorised Business from any Associated Business.

1.16.3 Means of achieving such independence

In order to facilitate its compliance with Condition 1.16.2, the Licensee shall use all reasonable endeavours to ensure that:

(a) the Authorised Business is provided with such premises, systems, equipment, facilities, property, personnel, data and management resources as are necessary for its efficient and effective managerial and operational independence;

(b) it does not hold or acquire shares in any Gas Supply Business that does not form part of the Authorised Business or in any Holding Company of any such Gas Supply Business;

(c) subject to any financial supervisory rights of a Holding Company of the Licensee as provided for in the Licensee's financial plan, commercial and operational decisions relating to the operation, maintenance and development of the Licensee's Network are taken only by those persons who are employed by, and are engaged in the operation and management of, the Authorised Business;

(d) any Associated Business may not use or have access to:

(i) premises or parts of premises occupied by persons engaged in the management or operation of the Authorised Business;

(ii) systems for the recording, processing or storage of data to which persons engaged in the management or operation of the Authorised Business also have access;

(iii) commercially sensitive or confidential information relating to, or derived from, the Authorised Business;

(iv) equipment, facilities or property employed for the management or operation of the Authorised Business; or

(e) it can and does, insofar as is legally possible:

(i) ensure that any director of the Licensee is not at the same time also a director of a company which carries on a Gas Supply Business that does not form part of the Authorised Business; and

(ii) prevent any person who has ceased to be engaged in the management or operation of the Authorised Business from being employed by, or engaged in the activities of, any Associated Business until the expiry of an appropriate time from the date on which he ceased to be engaged by the Authorised Business.

1.16.4 Additional Definitions

In this Condition:

"Act"	means the Gas Act 1986, as amended from time to time;
"Associated Business"	means any business, other than the Authorised Business, of the Licensee (or of any affiliate or related undertaking of the Licensee) which is carrying out any activity that requires

	authorisation in accordance with either Article 6(1) of the Order or section 5(1) of the Act or which is involved in the production or purchase of gas;
"Authorised Business"	means the Licensed Business, taken together with~~ (if applicable) either: (a) ~~, where the Licensee has so notified the Department and the Authority, any business of the Licensee (or of any affiliate or related undertaking of the Licensee) that is carrying out activities that require authorisation in accordance with Article 6(1)(a) of the Order or with section 5(1)(a) of the Act~~, except that the Licensee may not give such notification where the Department or the Authority (as the case may be) has given an approval under paragraph (b) below; or~~

~~(b) where the Department or the Authority (as the case may be) has given it approval, any business of the Licensee (or of any affiliate or related undertaking of the Licensee) that is carrying out activities that require authorisation in accordance with Article 6(1)(c) of the Order or with section 5(1)(b) of the Act;~~

~~[~~"Gas Supply Business"	means any business carrying out activities that require authorisation in accordance with Article 6(1)(c) of the Order or section 5(1)(b) of the Act; and~~]~~
"Holding Company"	has the meaning given to it in Article 4 of The Companies (Northern Ireland) Order 1986.

Condition 1.17: Business Separation Compliance Plan

1.17.1 Application

This Condition shall apply where Condition 1.16 applies to the Licensee.

1.17.2 Submittal of plan

The Licensee shall, no later than 28 days after Condition 1.16 first applies to the Licensee , prepare and submit to the Authority (for its approval) a compliance plan (the "Compliance Plan") setting out the practices, procedures, systems and rules of conduct which the Licensee has adopted, or intends to adopt, together with the timescales for adoption, to ensure its compliance with Condition 1.16.

1.17.3 Complying with Compliance Plan

The Licensee shall use its best endeavours to comply with the Compliance Plan as approved by the Authority and revised from time to time in accordance with this Condition 1.17.

1.17.4 Authority's role

The Authority may:

(a) within 30 days of the Licensee submitting an initial or revised Compliance Plan; or

(b) following any review of the Compliance Plan that the Authority may conduct from time to time,

serve notice on the Licensee:

(c) informing the Licensee that, in the Authority's opinion, the Compliance Plan is not, or is no longer, sufficient for the purposes of the Licensee's compliance with Condition 1.16; and

(d) requiring the Licensee to make such revisions to the Compliance Plan as, the Authority's opinion, are necessary or expedient in order for the Compliance Plan to be sufficient for the purposes of ensuring the Licensee's compliance or continued compliance with Condition 1.16.

1.17.5 Revision of Compliance Plan

Where the Licensee receives a notification in accordance with Condition 1.17.4, it shall, within 30 days, revise the Compliance Plan, in such manner and to such extent that will reflect the Authority's requirements and ensure that it is sufficient for the purposes of ensuring the Licensee's compliance with Condition 1.16.

1.17.6 Review of Compliance Plan

The Licensee shall, on at least an annual basis during the period in which Condition 1.16 is in force, review its Compliance Plan so as to ensure:

(a) its continued compliance with its obligations under Condition 1.16; and

(b) that the information set out therein shall continue to be accurate in all material respects.

1.17.7 Authority approval

Where the Licensee revises its Compliance Plan, either in accordance with Condition 1.17.5 or following a review conducted by it in accordance with Condition 1.17.6, it shall submit the revised Compliance Plan to the Authority for its approval.

1.17.8 Facilitating compliance with the Compliance Plan

The Licensee shall ensure that persons engaged in the management and operation of the Licensed Business:

(a) are made aware of the practices, procedures, systems and rules of conduct set out in the Compliance Plan;

(b) have the necessary information and facilities to comply with their respective obligations as provided for in the Compliance Plan; and

(c) are aware of the disciplinary procedures that may be activated should they fail to comply with their obligations under the Compliance Plan.

1.17.9 Compliance Manager

The Licensee shall, following consultation with the Authority, appoint a senior member of its personnel engaged in the management and operation of the Licensed Business as a compliance manager (the "Compliance Manager") for the purpose of facilitating compliance with its obligations under Condition 1.16 and with its Compliance Plan.

1.17.10 Assisting the Compliance Manager

The Licensee shall ensure that the Compliance Manager has access to such staff, premises, systems, information, documentation, equipment, facilities and other resources as he might reasonably expect to require to fulfil the duties and tasks assigned to him.

1.17.11 Duties of the Compliance Manager

The duties and tasks assigned to the Compliance Manager shall include:

(a) providing relevant advice and information to the Licensee for the purpose of ensuring its compliance with Condition 1.16 and with the Compliance Plan;

(b) monitoring the effectiveness of, and the Licensee's compliance with, the Compliance Plan;

(c) investigating any complaint or representation received by the Licensee from any person in respect of any matter arising under or by virtue of Condition 1.16 or in relation to the Compliance Plan;

(d) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable, including where necessary revising the Compliance Plan to reflect such recommendation and advice; and

(e) reporting, at such frequency as is determined in writing by the Authority, to the directors of the Licensee on his activities during the period covered by the report, the investigations he has conducted and on progress implementation of the Compliance Plan.

1.17.12 Report of Compliance Manager

The Licensee shall, at such frequency as is determined in writing by the Authority but no less than twice every twelve months submit a report to the Authority:

(a) detailing the activities of the Compliance Manager during the period covered by the report;

(b) providing a progress update on the Licensee's implementation of the Compliance Plan;

(c) setting out the details of any investigations conducted by the Compliance Manager, including:

(i) the number, type and source of the complaint or representation on which such investigations were based;

(ii) the outcome of such investigations; and

(iii) any remedial action taken by the Licensee following such investigations.

PART 2

CONDITIONS APPLICABLE TO THE CONVEYANCE OF GAS BY THE LICENCE HOLDER

Condition 2.1: Interpretation and Construction

2.1.1 Definitions

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

~~"Ballylumford to Torytown transmission pipe-line "~~	~~means the transmission pipe-line of the Licensee between Ballylumford and Torytown;~~
"conveyance charges"	means the charges made by the Licensee for the conveyance of gas;
"conveyance services"	means all services provided by the Licensee of conveying gas to, through and within the Licensed Area;
~~"distribution pipe-line"~~	~~means any pipe-line which is not a transmission pipe-line;~~
"Formula Year"	means a year commencing on 1st January;
"Network Code"	~~Means, as the context requires, the Transmission Network Code, the Distribution Network Code or both of them~~means the network code as prepared by the Licensee under Condition 2.5.2;
"non standard gas credit meter"	means a gas credit meter owned by the Licensee which is not a standard gas credit meter;
"non standard gas meter"	means either a non standard gas credit or pre-

	payment meter;
"non standard gas pre-payment meter"	means a gas pre-payment meter owned by the Licensee which is not a standard gas pre-payment meter;
"owned"	means in relation to any gas meter title in or control over a meter and includes meters leased to a person;
"standard gas credit meter"	means a gas credit meter of a type so specified and owned by the Licensee;
"standard gas meter"	means either a standard gas credit or pre-payment meter;
"standard gas pre-payment meter"	means a gas pre-payment meter of a type so specified and owned by the Licensee;
~~"transmission pipe-line"~~	~~means any pipe-line having a design operating pressure exceeding 7 bar gauge;~~
"transportation arrangements"	means the arrangements which licence holders or exemption holders may have with the Licensee to have gas introduced into, conveyed by means of and taken out of the Network ;

2.1.2 Singular/plural

The terms defined under 2.1.1 shall include the singular and the plural, as the context requires.

Condition 2.2: Territorial Scope and Exclusivity

2.2.1 Territorial Scope

The Licensee is authorised to convey gas from one place to another in the Licensed Area ~~and is further authorised to convey gas in other areas in Northern Ireland in order to convey gas to the Licensed Area~~.

2.2.2 Exclusivity

Subject to Conditions 2.2.3, 2.2.5 and 2.2.6, the Licensee shall be entitled exclusively to convey gas to premises in the Exclusive Area until 04 September 2006 and thereafter until 31st December 2016 unless, prior to that date, the Authority determines that the continuation of the exclusive authority granted by this Condition 2.2.2 is no longer necessary or expedient for the efficient operation of conveyance of gas to premises in the Exclusive Area and accordingly terminates the Licensee's exclusivity for all or part of the Exclusive Area by notice in writing to the Licensee.

2.2.3 Loss of Exclusivity in a district and the Licensed Area

Subject to Condition 2.2.4, the Licensee shall cease to be entitled exclusively to convey gas to any premises in a district within the Exclusive Area where the Authority determines on notice to the Licensee:

(a) that the Licensee has not in that district commenced to install or installed and brought into operation or made readily capable of being brought into operation distribution pipe-lines in accordance with paragraph 1 of Schedule 4; or

(b) prior to the twelfth anniversary of this licence coming into force, that the Licensee has refused a request by either:

(i) a gas supplier for the connection of premises in that district to the Network in order to give a supply; or

(ii) the owner or occupier of premises in that district for the connection of premises to the Network;

and:

(iii) that gas supplier or owner or occupier is willing to pay the charge for connection for the premises as determined under Condition 2.4 and comply with the Licensee's other terms for connection as also determined under Condition 2.4; and

(iv) at the time of the request the infill date in accordance with paragraph 1(b) of Schedule 4 has passed with respect to the district in which the premises are located;

and subject to Condition 2.2.4, the Licensee shall cease to be entitled exclusively to convey gas to any premises in the whole of the Exclusive Area where:

(c) with the exception of the district of Larne, the Authority has determined on notice to the Licensee that the Licensee should cease to be entitled exclusively to convey gas to premises in three or more districts under this Condition 2.2.3; or

(d) the Department modifies Condition 2.2.2 and Schedule 1 pursuant to Article 9(5) of the Order where it is satisfied on reasonable grounds of a contravention by the Licensee of any of the following conditions which are “relevant conditions” for the purposes of Article 9 of the Order ("relevant conditions"):

(i) Conditions 1.3.3, 1.3.4, 1.11, 1.12 and 1.13; and

(ii) Conditions 2.3.4 (but excluding Condition 2.3.4(c)), 2.3.5, 2.3.6, 2.4.6, (but excluding Condition 2.4.6(c)), 2.4.9, 2.6.1, 2.6.2, 2.6.3 and 2.6.4.

2.2.4 Disapplication of Condition 2.2.3

Without prejudice to any other means of modifying this licence under Condition 1.10 and the Order or the Energy Order, where the Authority determines on notice to the Licensee that the Licensee should cease to be entitled exclusively to convey gas to premises under Condition 2.2.3 , then:

(a) that determination shall not have effect for 28 days commencing with the date of the notice of the determination;

(b) the Licensee may within 28 days of the date of the notice of the determination request the Authority by notice to the Authority (a "disapplication notice"), not to

apply the relevant paragraph of Condition 2.2.3 in which event the determination shall not apply;

(c) unless within six months of the date of the disapplication notice the Authority makes a reference to the Competition Commission under Article 15 of the Order relating in whole or in part to the modification of Condition 2.2.2, the relevant paragraph of Condition 2.2.3 will continue not to be applied after that period has passed in respect of the premises concerned; and

(d) in the event of such a reference to the Competition Commission under paragraph (c) above, the Commission gives a report, then until the ~~licences given~~licence granted under paragraph 1(a) of the Grant shall be modified in accordance with the Order in relation to that reference, the Licensee shall remain entitled exclusively to convey gas with respect to and notwithstanding the relevant paragraph of Condition 2.2.3.

2.2.5 Loss of Exclusivity in respect of particular premises

Following the twelfth anniversary of this licence coming into force, the Licensee shall cease to be entitled exclusively to convey gas to particular premises where the Authority determines it has refused a request by either a gas supplier for the connection of those premises to the Network, in order to give a supply, or the owner or occupier of the premises for the connection of those premises to the Network, and that the gas supplier or owner or occupier is willing to pay the charge for connection as determined under Condition 2.4 and comply with the Licensee's other terms for connection as also determined under Condition 2.4.

2.2.6 Conveyance of Gas for Transhipment

Nothing in Condition 2.2.2 shall exclude the entitlement of any other person authorised by licence or exemption to convey gas through pipe-lines in the Licensed Area provided that such person does not convey gas to premises in the Exclusive Area other than as may be conveyed to premises solely for the operation of its gas plant.

2.2.7 Additional duty to provide information

The Licensee shall advise the Authority by its report given under Condition 1.2 in respect of the immediately preceding year whilst that Condition applies, and thereafter by a report provided to the Authority no later than 1st March of each year for the immediately preceding year ending on the 31st December, of:

(a) the number of requests made by gas suppliers and owners or occupiers of premises to connect premises to the Network distinguishing between domestic consumers and non domestic consumers;

(b) the number of connections made or agreed to be made by the Licensee;

(c) the length and route of distribution pipe-line installed by the Licensee in each district (and whether or not it was at operational pressure in any period), and the length and route of infill distribution pipe-line and in respect of the latter the number of premises to which a connection has been and may be made; and

(d) capital expenditure on ~~transmission and~~ distribution pipe-lines, gas plant, and other apparatus utilised by the Licensee in the conveyance of gas in aggregate for the Licensed Area and individually in respect of each district.

Condition 2.3: Conveyance Charges, Other Terms for the Conveyance of Gas and the provision of Conveyance services

2.3.1 Determination of conveyance charges by the Licensee

Conveyance charges shall be determined by the Licensee ~~as follows:~~

~~(a) in respect of Formula Years 1997 and 1998 the Licensee shall with the prior consent of the Authority establish the methods and principles on which conveyance charges shall be determined for gas suppliers wishing to use the Ballylumford to Torytown transmission pipe-line and the Licensee shall publish the same in accordance with Condition 2.3.2; and(b)~~ in respect of Formula Year 1999 and each Formula Year thereafter and the Licensee shall subject to the provisions of Conditions 2.3.8, 2.3.14 and 2.3.7A, as the case may be, establish the methods and principles on which conveyance charges shall be determined for gas suppliers wishing and entitled (or entitled within the Formula Year in respect of which the methods and principles shall be determined or the next following Formula Year), to use the Network and the Licensee shall publish the same in accordance with ~~Condition~~Conditon 2.3.2~~;~~ provided that for the purposes of Condition 2.3.1(a) in establishing the methods and principles on which conveyance charges shall be determined the Licensee shall do so in a manner consistent with the subsequent application of the provisions of Condition 2.3.8.

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

Subject to Condition 2.3.3:

(a) the licensee shall (no later than 1 October in each preceding year), for the forthcoming year, publish a statement of:

(i) its conveyance charging methodology for the use of the Network by gas suppliers for that forthcoming Formula Year, by which any such gas supplier may reasonably be able to calculate applicable conveyance charges; and

(ii) its other terms for the use by them of the Network (and in relation to the Network Code by reference to the Network Code);

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

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

and subject to Condition 2.3.4(b) such statement shall clearly distinguish cases and classes of cases of gas supplier for whom the conveyance charging methodology may result in differing conveyance charges.

2.3.3 Approval of Authority to conveyance charges and other terms for the conveyance of gas

No later than one month and five working days before it intends to publish its statement under Condition 2.3.2 the Licensee shall notify the Authority of the contents of that statement, and:

(a) provide the Authority with such information as will enable the Authority to be reasonably satisfied that the methodology and principles for the conveyance charges have been determined in accordance with the provisions of Condition 2.3.8;

(b) provide the Authority with an explanation of the other terms for conveyance set out in the statement; and

(c) prior to publication, obtain the Authority's approval to the form and content of that statement.

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

The Licensee shall:

(a) unless the Authority otherwise consents, not charge for the conveyance of gas in the Network during any Formula Year, or apply other terms for the conveyance of gas on any basis other than contained in its statement of conveyance charges published under Condition 2.3.2 in respect of that Formula Year;

(b) not show any undue preference towards or undue discrimination against any gas supplier or case or classes of cases of gas supplier in the conveyance charges made or other terms for the conveyance of gas applied in relation to the Network; and

(c) within 28 days of receiving a request for the quotation of conveyance charges for specified conveyance services by a gas supplier, provide the gas supplier with a specific statement of the conveyance charges and other terms for the conveyance of gas applicable to the conveyance services for which the gas supplier requested a quotation;

and for the purposes of Condition 2.3.4(c) and the Licensee's obligation to provide a specific statement of conveyance charges, a request for the quotation of conveyance charges for specified conveyance services shall be treated as such if it is in such form as the Licensee can reasonably be expected to provide a specific statement of conveyance charges in return.

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

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

2.3.6 Resolution of Disputes

The Authority may, on the application of any person entitled (or claiming to be entitled) to require conveyance services by the Licensee, will refer the application in the first instance to the General Consumer Council who will try to resolve the dispute, provided the General Consumer Council shall give the Licensee not less than one month in which to make representations regarding such application: the General Consumer Council will settle any dispute between the applicant and the Licensee in so far as it relates to any of the following matters and at any time thereafter the Licensee shall provide a gas supplier with conveyancing services:

(a) in accordance with the conveyance charges and/or other terms for the conveyance of gas, and where applicable the Licensee's connection charges, as determined by the Authority pursuant to it settling a dispute referred to the general Consumer Council in accordance with the above paragraph, and where the gas supplier is willing to accept the same and the Licensee has otherwise refused to provide such conveyancing services. If the General Consumer Council is unable to resolve the dispute the application will be referred back to the Authority. The Authority will try to resolve the dispute with reference to conditions 2.3.6 (a) and 2.3.6 (b)..

(b) notwithstanding the provisions of Conditions 2.3.1 and 2.3.2, in accordance with a price determined by the Authority as will allow the Licensee to enjoy a revenue within the maximum allowed average conveyance revenue as may be realised under Conditions 2.3.8 and 2.3.14 as the case may be, and where applicable, the Licensee's connection charges, and on such other terms as the Authority reasonably considers appropriate in all the circumstances, including terms as to the Network Code, or as may establish, modify or amend a Network Code, where the Licensee's conveyance charges and other terms for the conveyance of gas and/or the Network Code:

(i) are insufficient to the reasonable satisfaction of the Authority for the conveyance services sought by the gas supplier;

(ii) the Licensee and gas supplier have been unable to reach agreement on appropriate terms; and

(iii) the gas supplier is willing to accept the Authority's determination;

provided that for the purposes of this Condition 2.3.6 the Authority is satisfied that any determination would not prejudice the efficient and safe operation of the Network or the conveyance by the Network of:

(c) the quantities of gas which the Licensee requires or may reasonably be expected to require to be conveyed by the Network to enable the Licensee to comply with the conditions of ~~its~~the licence ~~given~~granted under paragraph 1(a) of the Grant; and

(d) the quantities of gas of any person who has a right to have gas conveyed by the Network is entitled to require to be so conveyed in exercise of that right.

2.3.7 Additional duty to provide information

The Licensee shall advise the Authority by its report given under Condition 1.2 in respect of the immediately preceding Formula Year whilst that Condition applies, and thereafter by a report provided to the Authority no later than 1st March of each year for the immediately preceding Formula Year, of:

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

(b) the volumes of gas offtaken from the Network by gas suppliers ~~including its own Separate Business engaged in the supply of gas~~.

2.3.7A Direction by the Authority

(a) Where the Authority determines that it is necessary for the Licensee to revise:

(i) the methods and principles on which it has determined the conveyance charges as provided in the Licensee's latest published statement; and/or

(ii) ~~theconveyance~~the conveyance charges and other terms for the conveyance of gas determined and included in the latest published statement,

in order to ensure that they are (or continue to be) proportionate and applied in a non-discriminatory manner, the Authority may direct the Licensee to revise its methods, principles, charges or terms (as the case may be) in accordance with the provisions of the direction.

(b) The Licensee shall comply with the requirements of any direction issued by the Authority under this Condition 2.3.7A and shall publish a revised statement in accordance with Condition 2.3.2.

Condition 2.3: Conveyance Charges, Other Terms for the Conveyance of Gas and the provision of Conveyance services

2.3.8 Charging methodology for the conveyance of gas

The Licensee shall in setting its charges for the conveyance of gas in the Network use reasonable endeavours to ensure that in each Formula Year *t* commencing Formula Year 2007, the average conveyance revenue per therm of gas conveyed shall not exceed the maximum allowed average conveyance revenue per therm calculated in accordance with the following formula:

$$M_t = P_t (RPI_{F,t} / RPI_E) - K_t$$

where

M_t = the maximum allowed average conveyance revenue per therm for conveying gas in that Formula Year *t*;

$RPI_{F,t}$ = the absolute value of the Retail Price Index for Formula Year *t* defined as the absolute value of the Retail Price Index published for September of Formula Year *t*;

RPI_E = the Designated Parameter of that name established at the most recent Review (as the base reference point for the Retail Prices Index for September);

P_t = a value for that Formula Year *t* calculated in accordance with the following formula:

$$P_t = \sum_i \left(P_{E,i,t} . W_{F,i,t} \right)$$

where

$\sum_i$ = the summation across all four conveyance categories where i is representative of a Conveyance Category;

$P_{E,i,t}$ = the Determined Revenue Per Therm in respect of Conveyance Category i for Formula Year t;

$W_{F,i,t}$ = a weighting for each of the Conveyance Categories calculated in respect of Formula Year t in accordance with the following formula:

$$W_{F,i,t} = V_{F,i,t} / \sum_i V_{F,i,t}$$

where

$V_{F,i,t}$ = in respect of each of the four Conveyance Categories the actual number of therms of gas conveyed in that Formula Year t, in respect of that conveyance category i;

$\sum_i V_{F,i,t}$ = the summation of $V_{F,i,t}$ across all four Conveyance Categories in Formula Year t;

K_t = a value representing a correction factor as set out in Condition 2.3.9.

For the avoidance of doubt, the Licensee shall forecast values of $RPI_{F,t}$, $V_{F,i,t}$ and K_t (to the extent that the values are not known by 1st October of the Formula Year t-1), so as by its reasonable endeavours it makes a best estimate of them.

2.3.9 Correction Factor

For the purposes of Condition 2.3.8 K_t shall be calculated in accordance with the following formulae:

either $$K_t = \frac{\left[Z_{F,t-1}\left(1 + I_{F,t}/100\right)\right]}{\sum_i V_{F,i,t}}$$

if $$Z_{F,t-1} \text{ is greater than } -0.1\left(M_{t-1}\sum_i V_{F,i,t-1}\right)$$

or $$K_t = \frac{\left[-0.1\left(M_{t-1}\sum_i V_{F,i,t-1}\right)\left(1 + I_{F,t}/100\right)\right]}{\sum_i V_{F,i,t}}$$

if $$Z_{F,t-1} \text{ is less than or equal to } -0.1\left(M_{t-1}\sum_i V_{F,i,t-1}\right)$$

where

$$Z_{F,t} = \left(R_{F,t} - P_t\left(RPI_{F,t}/RPI_E\right)\sum_i V_{F,i,t}\right) + Z_{F,t-1}\left(1 + I_{F,t}\right)$$

$R_{F,t}$ = the Licensee's Total Conveyance Revenue in Formula Year t;

$I_{F,t}$ = the percentage interest rate in Formula Year t, which shall be:

where K_t (taking no account of $I_{F,t}$ for this purpose) has a positive value, the Average Specified Rate in Formula Year t plus three percentage points; or

where K_t (taking no account of $I_{F,t}$ for this purpose) has a negative value, the Average Specified Rate in Formula Year t.

2.3.10 Review Process & Disapplication Notices

Conditions 2.3.10 to 2.3.13 set out the process by which the core terms of the price control will be established by the Authority from time to time.

2.3.11 The Review

The Designated Parameters and the Determination Values applying in respect of each Formula Year *t* will be established in accordance with the process set out below (a "Review").

A Review will take place at scheduled intervals by reference to the end of Formula Year *t=n*.

2.3.12 Terms Relevant to Reviews

In respect of each Review:

(a) m, n and q are those Designated Parameters set out in Condition 2.3.21 as established at the preceding Review; and

(b) a is, in respect of any quantifiable term, the most recent Formula Year in respect of which the Licensee has submitted an Actual Value for such a term for the purposes of Conditions 2.3.14 to 2.3.19.

2.3.13 Reviews Generally

In respect of each Review:

(a) the Licensee shall provide to the Authority the Best Available Values required in accordance with Conditions 2.3.14 to 2.3.19, together with the Licensee's proposed Designated Parameters for that Review, by the date occurring 15 months prior to the end of each Formula Year $t = n$.

(b) the Authority will determine the Determination Values and the Designated Parameters that apply in those Formula Years *t* occurring during the period $t = n+1$ to $t = q$ (inclusive) and in doing so:

(i) the Authority shall have due consideration for the Best Available Values and proposed Designated Parameters submitted by the Licensee; and

(ii) base its determination of the Determined Revenue Per Therm for each Conveyance Category on the underlying calculations contained in Conditions 2.3.14 to 2.3.19;

(c) the Authority shall, following its determination, give notice in writing to the Licensee of the Determination Values and the Designated Parameters that it proposes to apply in those Formula Years $t=n+1$ to $t=q$ inclusive (a "Determination Notice");

(d) where the Licensee considers that the Authority's proposals in a Determination Notice would not be acceptable:

(i) the Licensee may within 28 days of the date of the Determination Notice request the Authority by notice (a "Review Disapplication Notice") not to establish the Determination Values and Designated Parameters set out in the Determination Notice and where such notice is given the Determination Values and Designated Parameters established by the preceding Review shall continue to apply;

(ii) where following the giving of a Review Disapplication Notice the Authority does not by the date falling 56 days after the date of the Review Disapplication Notice make a reference to the Competition Commission under Article 15 of the Order relating in whole or in part to a modification of this Condition 2.3.8, the Determination Notice shall have no effect and the Determination Values and Designated Parameters established at the preceding Review shall continue to apply; and

(iii) in the event of such a reference to the Competition Commission under (ii) above, this Condition 2.3 may be modified in accordance with the Order and in the manner specified in the report of the Competition Commission;

(e) without prejudice to paragraph (d) and to Article 14 of the Order, with effect from the first day of the Formula Year t=n+1 the effect of a Determination Notice given under paragraph (c) shall be such that:

(i) the Determination Values set out in the Determination Notice shall apply for the purposes of and operation of this Condition 2.3 in relation to Formula Years t=n+1 to t=q;

(ii) Condition 2.3.21 shall be modified to include the Designated Parameters contained in the Determination Notice

in each case in substitution for and instead of the Determination Values and Designated Parameters established by the preceding Review.

2.3.14 Establishing the Best Available Values

For the purposes of Condition 2.3.8 the following Best Available Values shall be submitted by the Licensee, in respect of each Formula Year t from $t=a$ submitted at the preceding Review up to and including $t=q$ for the current Review. These Best Available Values shall comprise Actual Values in respect of the Formula Years up to $t=a$ for the current Review, and the Licensee's best estimate or forecast in respect of the Formula Years from $t=a+1$ to $t=q$ (inclusive).

The Best Available Values are:

$V_{B,i,t}$ Best Available Volume in Formula Year t for Conveyance Category i;

$C_{B,t}$ Best Available Capital Expenditure in Formula Year t;

$O_{B,t}$ Best Available Operating Expenditure in Formula Year t;

$D_{B,t}$ Best Available Annual Depreciation in Formula Year t;

$Q_{B,t}$ Best Available Working Capital for Formula Year t; and

$RPI_{B,t}$ Best Available Value of the Retail Prices Index for September of that Formula Year.

To the extent the Best Available Values comprise monetary amounts, the Licensee shall express each such value in constant price terms (calculated in accordance with this Condition 2.3.14). For each of the Best Available Values submitted in respect of Formula Years $t=a+1$ to $t=q$ (inclusive), constant price terms shall mean that such forecasted values are all stated in the same money of the day terms as at the time they are all forecasted. For each of the Best Available Values submitted in respect of Formula Years up to $t=a$, constant price terms shall mean that such Actual Values are all converted to the same money of the day terms by multiplying the Actual Value by the following ratio:

$$\frac{RPI_B}{RPI_{B,t}}$$

Where RPI_B is the Licensee's proposed value for the Designated Parameter, to apply to each of the Formula Years that are the subject of the current Review. It is the base reference point for the Retail Prices Index and will reflect the money of the day terms in which those Best Available Values that are forecasts were forecasted.

In complying with this obligation under Conditions 2.3.14 to 2.3.19 the Licensee shall submit full workings of the calculations and figures upon which its values and calculations are based.

2.3.15 <u>Establishing Best Available Revenue Per Therm</u>

In addition to the Best Available Values referred to in Condition 2.3.14, the Licensee shall, at each Review, also submit Best Available Revenue Per Therm values for each Formula Year t that is to occur during the period $t=n+1$ to $t=q$ (inclusive) for that Review. The Licensee shall provide Best Available Revenue Per Therm values for each Conveyance Category and for each such Formula Year $(P_{B,i,t})$.

Conditions 2.3.15 to 2.3.19 set out the Best Available Value categories and the underlying calculations upon which the Licensee should base its values of $P_{B,i,t}$.

The Licensee shall estimate values for the Best Available Revenue Per Therm $(P_{B,i,t})$ so that:

(a) such values comply with the requirements set out in this Condition 2.3.15;

(b) the value for each Conveyance Category *i* will not, unless otherwise agreed with the Authority, differ between Formula Years *t*.

Each value of $P_{B,i,t}$ shall be set so that the cash flow (adjusted to reflect the allowed rate of return) over the Formula Years in question is equal to the difference between the Total Regulatory Value at the end of Formula Year *n* and the Depreciated Asset Value and Working Capital at the end of Formula Year *q*. This will be shown to be the case where the values of $P_{B,i,t}$ secure the following net present value result:

$$\sum_{t=n+1}^{q}\left(\frac{F_{B,t}}{(1+r_B)^{t-n}}\right)-TRV_{B,n}+\frac{DAV_{B,q}+Q_{B,q}}{(1+r_B)^{q-n}}=0$$

For the purposes of Condition 2.3.15, the following terms shall have the following meanings:

n, q are Formula Years as defined in Condition 2.3.12. As the value of the Designated Parameter *q* for that Review is also being established as part of that Review, it will necessarily be the Licensee's proposed value of that Designated Parameter;

$\sum_{t=n+1}^{q}$ is the summation of data in respect of all Formula Years *t* from *t=n+1* to *t=q* inclusive;

$F_{B,t}$ is the Best Available Cash Flow for Formula Year *t*, (being a sum calculated in accordance with Condition 2.3.16);

r_B is the Licensee's proposed value of the Designated Parameter for rate of return to apply to each of the Formula Years within the relevant period. Provided that, where the Licensee does not propose the same value for each of the relevant Formula Years, $(1+r_B)^{t-n}$ shall be replaced with $(1+r_{B,n+1})\cdot(1+r_{B,n+2})...(1+r_{B,t})$ and $(1+r_B)^{q-n}$ shall be treated accordingly;

$DAV_{B,t}$ is the Best Available Depreciated Asset Value for Formula Year t (being a sum calculated in accordance with Condition 2.3.17); and

$TRV_{B,n}$ is, the Best Available Total Regulatory Value at the end of Formula Year *t=n* (being a sum calculated in accordance with Condition 2.3.18).

2.3.16 Calculating $F_{B,t}$ (Cash Flow)

$F_{B,t}$ is an amount equal to the sum of the Best Available Conveyance Revenues for all of the Conveyance Categories and the relevant Formula Year, less the Best Available Capital Expenditure for that Formula Year, less the Best Available Operating Expenditure for that Formula Year, adjusted (where applicable) for the Best Available Movement in Working Capital for that Formula Year, which shall be calculated as follows:

$$F_{B,t} = \sum_i \left(P_{B,i,t} \cdot V_{B,i,t}\right) - C_{B,t} - O_{B,t} - Q'_{B,t}$$

where $Q'_{B,t}$ is the difference between the Best Available Working Capital for Formula Year *t* and the Best Available Working Capital for Formula Year *t*–1, which shall be calculated as follows:

$$Q'_{B,t} = Q_{B,t} - Q_{B,t-1}$$

2.3.17 Calculating $DAV_{B,t}$ (Depreciated Asset Value)

$DAV_{B,t}$ is an amount equal to the indexed, depreciated, rolled forward value of the Depreciated Asset Value to date, measured at the end of each Formula Year. In respect of Formula Year *t=2006*, $DAV_{F,t}$ = £316.3m. In respect of Formula Year *t* from 2007, it shall be the value of such amount applying to Formula Year t-1, plus the Best Available Capital Expenditure in Formula Year *t,* less the Best Available Annual Depreciation in Formula Year *t,* which shall be calculated as follows:

$$DAV_{B,t} = DAV_{B,t-1} + C_{B,t} - D_{B,t}$$

The Depreciated Asset Value at the end of Formula Year t = n shall be subject to any direction that is set out in the Determination Notice for the preceding Review that relates to the treatment of the difference between the Actual Value of Capital Expenditure and the Determined Value of Capital Expenditure.

2.3.18 Calculating $TRV_{B,n}$ (Total Regulatory Value)

$TRV_{B,n}$ is the Best Available Total Regulatory Value at the end of Formula Year $t = n$. It is the sum of the Best Available Depreciated Asset Value for Formula Year $t = n$ (or in other words the opening position at the beginning of Formula Year $t = n+1$), plus the Best Available Working Capital for Formula Year $t = n$ (or in other words the opening position at the beginning of Formula Year $t = n+1$), plus the Best Available Profile Adjustment as follows:

$$TRV_{B,n} = DAV_{B,n} + Q_{B,n} + PA_{B,n}$$

Where:

$PA_{B,n}$ is the Profile Adjustment (being an adjustment calculated in accordance with Condition 2.3.19), and

$Q_{B,t}$ is treated as a pass-through and is corrected to actuals at the end of each Review Period.

2.3.19 Calculating the Profile Adjustment

The Profile Adjustment is an adjustment to reflect the long-term nature of the price control set out in this Condition 2.3. The Determined Revenue Per Therm values are established at each Review by reference to the period to Formula Year $t=q$ and not by reference to the period to Formula Year $t=n$. At each Review therefore, it is necessary to recognise the financial impact of having set a deferred recovery profile at the previous Reviews, by allowing the value that has been deferred at the preceding Reviews to be included as part of the Total Regulatory Value within the current Review.

The Best Available Profile Adjustment for each Review shall be calculated as follows:

$$PA_{B,n} = PA_{E,m} \cdot \frac{RPI_B}{RPI_E}$$

where $PA_{E,m}$ will have been Determined by the Authority at the preceding Review.

$PA_{E,m}$ will have been calculated by the Authority as follows:

$$PA_{E,m} = -\left(\begin{array}{l} \sum_{t=m+1}^{n} F_{E,t} \cdot (1+r_E)^{n-t} \\ -TRV_{E,m} \cdot (1+r_E)^{n-m} \\ +DAV_{E,n} + Q_{E,n} \end{array} \right)$$

Where:

m, n are Formula Years as defined in Condition 2.3.12;

$\sum_{t=m+1}^{n}$ is the summation of data in respect of all Formula Years from *m+1* to *n* (inclusive);

$F_{E,t}$, $r_{E,t}$, $TRV_{E,m}$, $DAV_{E,n}$, $Q_{E,n}$ are Determination Values and Designated Parameters established by the Authority at the previous Review in respect of Formula Years *t, m* or *n* (respectively);

r_E is the Designated Parameter for rate of return that applies to each of the Formula Years within the relevant period. Provided that, where the Authority did not establish the same value for each of the relevant Formula Years, $(1+r_E)^{n-t}$ shall be replaced with $(1+r_{E,t+1}) \cdot (1+r_{E,t+2}) \ldots (1+r_{E,n})$ and $(1+r_E)^{n-m}$ shall be treated accordingly.

2.3.20 <u>Closing Regulatory Value</u>

If $DAV_{E,t=q} > 0$, this value shall be returned to the Licensee in those Formula Years following t = q, in accordance with the principles determined by the Authority at that time, such principles to provide (inter alia) for an allowed rate of return and depreciation rate.

2.3.21 Current Designated Parameters

The Designated Parameters to apply in the first Formula Year and in each subsequent Formula Year up to and including Formula Year 2011 shall be:

(ii) Designated Parameter	Value
r_t	0.075
m	2006
n	2011
q	2046
RPI	200.1

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2.3.22 Definitions and Interpretation

In this Condition 2.3, the following terms and expressions shall have the meanings attributed to them below:

"Actual"	used as an adjective in relation to another defined word or phrase, means the Actual Value to be attributed to it;
"Actual Value"	means, in relation to any quantifiable term and in respect of any Formula Year *t*, a value that is established as the accurate value to be attributed to that term at the end of that Formula Year by reference to verifiable data in the possession of the Licensee. An Actual Value is denoted in the terms of formulae in this Condition 2.3 by the use of an *F* subscript;
"Average Conveyance Revenue per therm"	means Total Conveyance Revenue in a Formula Year divided by the Total Volume in that Formula Year;
"Average Specified Rate"	means, in respect of a Formula Year, the average of the daily base rates of Northern Bank plc expressed as a percentage (or if such a rate ceases to be published, such other comparable rate as the Authority may specify)
"Allowed Revenue"	means, in respect of Conveyance Category *i* in Formula Year *t*, the Determined Revenue Per Unit multiplied by the Actual Volume in respect of that Conveyance Category in that year;
"Annual Depreciation"	means the annual depreciation of those assets included within the Depreciated Asset Value, allocated on a systematic basis over the useful lives of such assets, using policies and asset life assumptions approved by the Authority. The Depreciated Asset Value for 2006 shall be depreciated on a straight-line basis using a 40 year asset

life;

"Best Available"	used as an adjective in relation to another defined word or phrase, means the Best Available Value to be attributed to it;
"Best Available Value"	means, in relation to any quantifiable term, a value for which the Licensee is required to provide best available information in accordance with Condition 2.3.14 or 2.3.15 and which, in respect of past Formula Years and to the extent possible, is based on Actual Values, and otherwise is a forecast best estimate. A Best Available Value is denoted in the terms of formulae in this Condition 2.3 by the use of a *B* subscript;
"Capital Expenditure"	means that capital expenditure for the development, construction, maintenance and operation of the Network in order to provide conveyance services in an economically efficient and safe manner given forecast development, including but not limited to the capital costs of standard credit and prepayment gas meters which the Licensee may be required to provide under Condition 2.6.1 and payments which may be made by the Licensee under Conditions 2.6.2(a)(ii) and 2.6.3(a)(ii) and expenditure on capital works by the Licensee undertaken by affiliates or related undertakings, but excluding costs which may be recoverable by the Licensee under Conditions 2.4, 2.6.2(a)(i) and 2.6.3(a)(i);
"Conveyance Category"	means a particular group of customers defined for the purposes of calculating the maximum allowable average conveyance revenue per therm, the four categories being:

1. domestic - firm gas demand of less than 2,500 therms

per annum which uses distribution pipe-line for conveyance;

2. small and medium industrial and commercial - firm gas demand of 2,500 - 25,000 therms per annum which uses distribution pipe-line for conveyance;

3. large industrial and commercial - firm gas demand of over 25,000 therms per annum which uses distribution pipe-line for conveyance;

4. interruptible - gas demand which can be interrupted under the terms of the supply contract and which uses distribution pipe-line for conveyance;

"Designated Parameters" means those parameters set out in Condition 2.3.25, the applicable values from time to time for which are set out in Condition 2.3.21; and those parameters that have been established (subject to any restrictions imposed under Condition 2.3.25) as such by the Authority in accordance with Conditions 2.3.11 to 2.3.13 (highlighted by use of the E subscript); and, in respect of Best Available Values, the Licensee's proposed values for those parameters (highlighted by use of the B subscript). The Designated Parameters set at one Review will apply unless and until revised at the next Review. Unless a Designated Parameter has a t subscript, the value set at a Review must be the same for each Formula Year in the period t=n+1 to t=q;

"Determined" used as an adjective in relation to another defined word or phrase, means the Determination Value to be attributed to it;

"Determination Notice"	means a notice given in accordance with Condition 2.3.13 (c);
"Determination Value"	means, in respect of each Formula Year t, a value that has been determined by the Authority to apply in respect of that Formula Year in accordance with Condition 2.3.13. A Determination Value is denoted in the terms of formulae in this Condition 2.3 by the use of an *E* subscript;
"Formula Year"	means a year commencing on 1 January;
"Operating Expenditure"	means that operating expenditure for the development, construction, maintenance and operation of the Network to provide conveyance services in an economically efficient and safe manner given forecast development and throughput, including but not limited to the charge for commissioning gas, such commissioning gas to be purchased on a economic basis, and including but not limited to the installation and operating costs of standard credit and pre-payment gas meters which the Licensee may be required to provide under Condition 2.6.1, and payments which may be made by the ~~Licence~~Licensee under Conditions 2.6.2(ii) and 2.6.3(ii) and the charges for services to the Licensee by affiliates or related undertakings of the Licensee, but excluding costs which may be recoverable by the Licensee under Conditions 2.4, 2.6.2(i) and 2.6.3(i). For the avoidance of doubt, allowed operating expenditure shall include but not be limited to the charge for gas purchased from companies affiliated to the Licensee for the purpose of operating the Network, such purchases to be on an economic basis;
"Retail Prices Index" or	means the General Index of Retail Prices published by the Office of National Statistics each month in respect of

"RPI"	all items; or (a) if the Index for the specified month in any year shall not have been published on or before the last day of the sixth month after the specified month, such index for such month or months as the Authority may after consultation with the Licensee 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 Authority may after consultation with the Licensee determine to be appropriate in the circumstances;
"Revenue Per Therm"	means, in respect of any Formula Year *t*, the Total Conveyance Revenue for that Formula Year divided by the Total Volume for that Formula Year;
"Review"	has the meaning attributed to it in Condition 2.3.11;
"Review Disapplication Notice"	means a notice given in accordance with Condition 2.3.13 (d);
"Total Conveyance Revenue"	means the revenue (measured on an accruals basis) derived by the Licensee from the provision of conveyance services after deduction of value added tax (if any) and any other taxes based directly on this revenue;
"Total Volume"	means the aggregate quantity of gas, in therms, taken off the Network as a result of arrangements with gas suppliers in the Formula Year;
"Working Capital"	means, in respect of each Formula Year and to the extent only that they relate to the Controlled Charges:

(i) any monies due to the Licensee, at the end of that Formula Year; plus

(ii) any payments by the Licensee that, at the end of that Formula Year, constitute prepayments; plus

(iii) any grants that are, at the end of that Formula Year, still due to the Licensee; less

(iv) any monies due from the Licensee, at the end of that Formula Year; less

(v) any payments to the Licensee that, at the end of that Formula Year, constitute prepayments.

In this Condition 2.3, "revenue", "expenditure", "debtors", "prepayments", "creditors" and "accruals" are the amounts that are confirmed by the Licensee as relating to the Licensee's Separate Business of conveying gas by distribution pipe-lines for each period in question.

2.3.23 Determination Values

The Determination Values to apply in the first Formula Year (year $m+1$) and in each subsequent Formula Year up to and including Formula Year n shall be as notified by the Authority to the Licensee in accordance with Condition 2.3.13.

2.3.24 Best Available Values, Determination Values and Actual Values

Description	**Best Available**	**Determination**	**Actual**

	Values	Values	Values
Volume (for Conveyance Categories *i*)	$V_{B,i,t}$	$V_{E,i,t}$	$V_{F,i,t}$
Capital Expenditure	$C_{B,t}$	$C_{E,t}$	
Operating Expenditure	$O_{B,t}$	$O_{E,t}$	
Annual Depreciation	$D_{B,t}$	$D_{E,t}$	
Cash Flow (calculated in accordance with Condition 2.3.16)	$F_{B,t}$	$F_{E,t}$	
Working Capital	$Q_{B,t}$	$Q_{E,t}$	
Revenue Per Therm (for Conveyance Categories *i*)	$P_{B,i,t}$	$P_{E,i,t}$	$P_{F,i,t}$
Depreciated Asset Value (calculated in accordance with Condition 2.3.17)	$DAV_{B,t}$	$DAV_{E,t}$	
Total Regulatory Value (calculated in accordance with Condition 2.3.18)*	$TRV_{B,n}$	$TRV_{E,m}$	
Profile Adjustment (calculated in accordance with Condition 2.3.19)*	$PA_{B,n}$	$PA_{E,m}$	

* ~~•~~ at end of Formula Year *n* (for the Review in which Best Available Values are being submitted) or at the end of Formula Year *m* (on and following determination of Determination Values for that Review).

2.3.25 Designated Parameters

Description	Designated Parameters	Limitation to the application of re-designated values
Rate of return	r_t	Means a pre-tax rate of return of 7.5% up to and including Formula Year 2016 applied to real cashflows, after which time it may be reviewed by the Authority;
Trigger for Reviews (as defined in Condition 2.3.11)	n	A Formula Year
The Formula Year that was n for the preceding review	m	A Formula Year
The forecasting horizon for review calculations (as defined in Condition2.3.12)	q	Shall be the Formula Year 2046 until 2041, after which time it may be the Formula Year 2046 or any Formula Year after 2046
The indexation base *	RPI	None

* which will, in respect of the Determination Values determined at the Review in question, reflect the prices in which those Determination Values are expressed. It can therefore be used, in conjunction with $RPI_{F,t}$, to adjust the Determined Revenue Per Therm value to allow for changes in the Retail Prices Index in the period since the value of the Determined Revenue Per Therm was determined.

Key to other formula parameters:

a subscript to denote a Formula Year as defined in Condition 2.3.12;

B subscript to denote a Best Available Value;

C_t Capital Expenditure in Formula Year t;

E subscript to denote Determination Values;

F subscript to denote Actual Values;

i subscript to denote a Conveyance Category;

I_t *Average Specified Rate in Formula Year t*

m subscript to denote a Formula Year as defined in Condition 2.3.12;

Q_t Working Capital in Formula Year t

Q'_t Movement in Working Capital in Formula Year t;

O_t Operating Expenditure in Formula Year *t*;

PA_t Profile Adjustment (calculated in accordance with Condition 2.3.19) in Formula Year t;

RPI_E, RPI_B Retail Prices Index base reference points (as defined in Conditions 2.3.8 and 2.3.14);

$RPI_{F,t}$, Retail Prices Index value for September of Formula Year = t;

t subscript to denote any Formula Year;

$Z_{F,i,t}$ the Actual Value for accumulated under or over-recoveries for Formula Year t and Conveyance Category i (calculated in accordance with Condition 2.3.9).

~~Condition 2.3A: Transmission Charges, Other Terms for the Transmission of Gas on the Transmission Network and the provision of Transmission Services~~

~~2.3A.1 Charges to be subject to Total Allowed Transmission Revenue~~

~~(a) The Licensee shall be subject to the provisions of this Condition 2.3A with effect from the Designation Date.~~

~~(b) In respect of any period when a Designation Order is not in place in respect of those transmission pipe-lines used by the Licensee for the transmission of gas pursuant to this Licence Document, the Licensee shall, in setting its charges for the transmission of gas in such pipe-lines during the Revenue Recovery Period, use its best endeavours to ensure that in each Gas Year the Total Transmission Revenue shall not exceed the Total Allowed Transmission Revenue for that year calculated in accordance with the Formula, in addition to observing the provisions of Condition 2.3A.9.~~

~~(c) In respect of the Gas Year commencing on or after the Designation Date and each Gas Year or part of a Gas Year thereafter for so long as a Designation Order is and remains in force in respect of those transmission pipe-lines used by the Licensee for the transmission of gas pursuant to this Licence Document, the Licensee shall ensure that for each such Gas Year both:~~

~~(i) its Forecast Required Revenue; and~~

~~(ii) its Actual Required Revenue,~~

~~notified to the Authority and the PSA in accordance with Conditions 2.3A.1(e) and 2.3A.1(f) shall be the same as the Total Allowed Transmission Revenue for that Gas Year.~~

~~(d) For the avoidance of doubt, the Licensee's Forecast Required Revenue and Actual Required Revenue for the purposes of Part 2A of this Licence Document shall be the same amount; and both shall equal the Total Allowed Transmission Revenue both during and after the Revenue Recovery Period.~~

~~(e) No later than the first Business Day in July in any Gas Year commencing on or after the Designation Date the Licensee shall provide to the Authority its calculation of Forecast~~

~~Required Revenue for the next Gas Year and the following four Gas Years together with such explanations and information as may be reasonably necessary to permit the Authority to verify that the Forecast Required Revenue has been calculated in accordance with any formula in place for the time being for the purposes of calculating Total Allowed Transmission Revenue.~~

~~(f) No later than the fifteenth Business Day in July in any such Gas Year referred to in sub-paragraph (e) the Licensee shall provide to the PSA its calculation of Forecast Required Revenue in respect of the next Gas Year and the following four Gas Years.~~

~~2.3A.2 The Formula~~

~~The Total Allowed Transmission Revenue for each Gas Year during the Revenue Recovery Period shall be calculated in accordance with the following formula:~~

$$ARR_t = (CRR + ORR_t) * RPI_{et} / RPI_0 + PA_t + K_{t-1}$$

~~where :~~

~~ARR_t = Total Allowed Transmission Revenue in Gas Year t.~~

~~CRR = Capital Asset Base Recovery, as determined pursuant to Condition 2.3A.3.~~

~~ORR_t = Allowed Operating Expenditure in Gas Year t, as determined pursuant to Conditions 2.3A.4 and 2.3A.7.~~

~~RPI_{et} = The estimate of the absolute value of the Retail Prices Index to be published in respect of March of Gas Year t.~~

~~RPI_0 = The absolute value of the Retail Prices Index published for March of 2004, being 184.6.~~

~~PA_t = Postalisation Adjustment for Gas Year t, as determined pursuant to Condition 2.3A.5, subject to a Designation Order being in place.~~

~~K_t = An correction factor to account for forecasting error in estimating the Retail Prices Index, calculated as:~~

$$K_t = (CRR + ORR_t) * [(RPI_{at} - RPI_{et}) / RPI_0]$$

~~RPI_{at} = The actual absolute value of the Retail Prices Index published for March of Gas Year t~~

~~**2.3A.3 Capital Asset Base Recovery**~~

~~(a) For the period until the end of the Gas Year commencing on 01 October 2015 the Capital Asset Base Recovery shall be determined according to the following formula:~~

~~CRR =~~

~~Where:~~

~~OAV = Opening asset value of £82,168,095~~

~~N = 20, being the number of Gas Years between 1st October 2004 and the end of the Revenue Recovery Period.~~

~~r = Agreed pre-tax real rate of return which shall be equal to 7.5%.~~

~~(b) For the period commencing with the start of the Gas Year beginning on 01 October 2016 and ending on the expiry of the Revenue Recovery Period (the "Remaining RRP") the Capital Asset Base Recovery shall be determined using the following formula:~~

~~Where:~~

~~AV = Value of the asset base as of October 2016, being £47,210,151;~~

~~rr = the rate of return determined pursuant to Condition 2.3A.3(c); and~~

~~N has the value attributed to it in Condition 2.3A~~

~~(c) No later than 1st October 2015, the Licensee shall submit to the Authority a requested rate of return to apply in respect of the calculation of the Capital Asset Base Recovery in the Remaining RRP pursuant to Condition 2.3A.3(b) together with any information it feels necessary to justify that rate (the "Requested Rate of Return"). The rate of return for the~~

~~purposes of Condition 2.3A.3(b) above shall be that determined by the Authority on written notice to the Licensee having regard to the information provided to them (the "Determination"). In the event that the rate of return determined by the Authority pursuant to the Determination differs from that proposed by the Licensee:~~

~~(i) the Determination shall not have effect for 28 days commencing with the date of the notice of the Determination;~~

~~(ii) the Licensee may within 28 days of the date of the notice of the Determination request the Authority by written notice to the Authority (a "disapplication notice"), not to apply the provisions of this Condition 2.3A.3(c), in which event the Determination shall not apply;~~

~~(iii) unless within one month of the date of the disapplication notice the Authority makes a reference to the Competition Commission under Article 15 of the Order relating in whole or part to a modification of Condition 2.3A.3, then:~~

~~(aa) the rate of return determined by the Authority pursuant to the Determination will continue not to be applied after that period has passed; and~~

~~(bb) the value of r for the purposes of the calculation set out in Condition 2.3A.3(b) shall be the same as the value of r set out in Condition 2.3A.3(a);~~

~~(iv) in the event of such a reference to the Competition Commission under Condition 2.3A.3(c)(iii), and if the Competition Commission finds that the continuation of this Condition 2.3A.3 without modification operates or may be expected to operate against the public interest, then until this Licence Document shall be modified in accordance with the Order as a result of that reference and any findings by the Competition Commission then the value r for the purposes of the calculation set out in Condition 2.3A.3(b) shall be the same as the value of r set out in Condition 2.3A.3(a).~~

~~2.3A.4~~ ~~Allowed Operating Expenditure~~

~~Allowed Operating Expenditure for the purpose of this Condition and the determination of~~

~~Total Allowed Transmission Revenue in accordance with the Formula shall be the operating expenditure which the Authority deems necessary or appropriate for the development, construction, maintenance and operation of the Transmission Network to provide transmission services in an economically efficient and safe manner given forecast development and throughput and in accordance with established gas transmission pipe-line engineering and cost control principles, determined in accordance with the procedure set out in Condition 2.3A.7.~~

~~2.3A.5 Postalisation Adjustment~~

~~The Postalisation Adjustment for the purposes of the determination of Total Allowed Transmission Revenue in Gas Year t will be an allowance (which could be positive or negative) comprised of the sum of the amounts set out in Conditions 2.3A.5(a) to 2.3A.5(c) inclusive:~~

~~(a) costs and expenses, losses and/or liabilities to be incurred, or incurred by the Licensee associated with the PSA and/or the Trustee under the agreements under which they are appointed;~~

~~(b) amounts due in respect of Commodity Reconciliation Payments for Gas Year t-2 calculated according to the following formula:~~

~~$UNRPT_{t-2}$ (PS~~

~~where:~~

~~$UNRPT_{t-2}$ =~~	~~Un-recovered Postalisation Payments as calculated by the PSA in respect of Gas Year t-2 ;~~
~~CPI_t =~~	~~the forecast of the absolute value of the General Index of Consumer Prices – All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) for Gas Year t, as published in the preceding year's May edition of the Bank of England Inflation Report or if such index is no longer published, such alternative index as the Authority shall, after consultation with the Licensee, determine most closely reflects the Consumer Prices Index;~~
~~CPI_{t-2} =~~	~~the absolute value of the General Index of Consumer Prices – All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) – for Gas Year t-2, or if such index is no longer published, such alternative index as the Authority shall, after consultation with the Licensee, determine most closely reflects the General Index of Consumer Prices – All items (1996=100);~~
~~ARR_{t-2} =~~	~~the Licensee's Actual Required Revenue in respect of Gas Year t-2;~~
~~$PS\ ARR_{t-2}$ =~~	~~the sum of the Actual Required Revenues (as defined in each Licensees Respective Licence) of all Designated Pipe-line Operators in respect of Gas Year t-2;~~

~~RE~~	~~=~~	~~the applicable real interest rate, which is calculated as the one-year LIBOR rate, as published on the 10th business day of June in Gas Year t-1, plus 2% minus CPI factor, calculated as:~~ ~~LIBOR rate % + 2% - ([(CPI$_t$ / CPI$_{t-1}$) – 1] x 100)~~
~~CPI$_{t-1}$~~	~~=~~	~~the absolute value of the General Index of Consumer Prices – All items (1996 =100) as published by the Office of National Statistics (Series Identifier CHVJ) - for Gas Year t-1, or if such index is available the latest CPI figure published in Gas Year t-1~~

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

~~**2.3A.6 Termination Payments**~~

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

~~**2.3A.7 Allowed Operating Expenditure Calculation**~~

~~(a) In respect of the Gas Years beginning on 01 October 2004, 01 October 2005 and 01 October 2006 the Allowed Operating Expenditure shall be as follows; £1,256,230; £709,297; and of £1,075,986.~~

~~(b) The Licensee shall not later than 12 months before the commencement of each Review Period submit a forecast of annual operating expenditure for each Formula Year of that Review Period.~~

~~The Review Periods shall be:~~

~~(i) the period from the commencement of the Gas Year beginning on 01 October 2007 until the expiry of the Gas Year beginning on 01 October 2011;~~

~~(ii) the period from the commencement of the Gas Year beginning on 01 October 2012 until the expiry of the Gas Year beginning on 01 October 2016; and~~

~~(iii) the period from the commencement of the Gas Year beginning on 01 October 2017 until the expiry of the Gas Year beginning on 01 October 2023.~~

~~(c) If, in respect of a particular Review Period, the Authority, following verification, approves the forecast of annual operating expenditure submitted under Condition 2.3A.7(b) above, the forecast annual operating expenditure for each Gas Year comprised in such Review Period shall be the Allowed Operating Expenditure for such Gas Year.~~

~~(d) If, in respect of a particular Review Period, the Authority, following verification and consideration of such further information as may be submitted by the Licensee, considers that the Licensee's forecast should be approved subject to modification, the forecast annual operating expenditure for each Gas Year comprised in such Review Period and as set out in the Licensee's forecast (as modified in the manner notified to the Licensee by the Authority) shall, subject to subsequent adjustment in accordance with Condition 2.3A.7(i) below, be the Allowed Operating Expenditure for such Gas Year.~~

~~(e) The Allowed Operational Expenditure in respect of a particular Review Period will be adjusted for any costs incurred under their Network Code by the Licensee as approved by the Authority during the previous Review Period.~~

~~(f) The Licensee shall, within 6 months after the end of each Gas Year, submit to the Authority a statement, certified by its auditors as being accurate, detailing the actual operating expenditure incurred by the Licensee during such Gas Year in the development, construction, maintenance and operation of the Transmission Network.~~

~~(g) The Licensee shall promptly provide such information or explanation and access to documents and records as the Authority reasonably requires for~~

~~the purpose of verifying the forecast annual operating expenditure figures provided by the Licensee in accordance with Condition 2.3A.7(b).~~

~~(h) Any decision made by the Authority under Condition 2.3A.7(c) or Condition 2.3A.7(d) shall be notified to the Licensee in writing (together with, in the case of a decision made by the Authority pursuant to Condition 2.3A.7(d), details of the modifications made by the Authority and the reasons for them).~~

~~(i) In the event that the Authority makes a decision under Condition 2.3A.7(d) (in this Condition 2.3A.7(i), the "Decision"):~~

~~(i) the Decision shall not have effect for 28 days commencing with the date of the notice of the Decision;~~

~~(ii) the Licensee may within 28 days of the date of the notice of the Decision request the Authority by written notice to the Authority (a "disapplication notice"), not to apply the provisions of Condition 2.3A.7(d), in which event the Decision shall not apply;~~

~~(iii) unless within one month of the date of the disapplication notice the Authority makes a reference to the Competition Commission under Article 15 of the Order relating in whole or part to a modification of Condition 2.3A.7, then:~~

~~(aa) the Allowed Operating Expenditure determined by the Authority under Condition 2.3A.7(d) will continue not to be applied after that period has passed; and~~

~~(bb) the Allowed Operating Expenditure in relation to any Gas Year falling within the disputed Review Period for the purposes of the calculation set out in Condition 2.3A.2 shall be the same as that for the most recent Gas Year in respect of which the value of Allowed Operating Expenditure was not disputed by the Licensee under this Condition 2.3A.7(i);~~

~~(iv) in the event of such a reference to the Competition Commission under Condition 2.3A.7(i)(iii), and if the Competition Commission finds that the continuation~~

~~of this Condition 2.3A.7 without modification operates or may be expected to operate against the public interest, then until this Licence Document shall be modified in accordance with the Order as a result of that reference and any findings by the Competition Commission then the Allowed Operating Expenditure in relation to any Gas Year falling within the disputed Review Period for the purposes of the calculation set out in Condition 2.3A.2 shall be the same as that for the most recent Gas Year in respect of which the value of Allowed Operating Expenditure was not disputed by the Licensee under this Condition 2.3A.7(i).~~

~~2.3A.8~~ ~~Allowed revenue after expiry of Revenue Recovery Period~~

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

~~(i) a proposal as to the formula to be used for calculation of Total Allowed Transmission Revenue following the end of the Revenue Recovery Period (the "Proposed Formula"); and~~

~~(ii) a forecast of the amount of Total Allowed Transmission Revenue for the five Gas Years immediately following the expiry of the Revenue Recovery Period (the "Forecast");~~

~~which comply with the basis of calculation set out in Condition 2.3A.8(d).~~

~~(b) The Licensee shall promptly provide such further information or explanation and access to documents and records as the Authority reasonably requires for the purpose of verifying that the Proposed Formula and the Forecast submitted to it by the Licensee comply with the principles set out in Condition 2.3A.8(d).~~

~~(c) The Authority may, following review of the Proposed Formula and the Forecast, by written notice (including, where approval has been given by the Authority pursuant to Condition 2.3A.8(c)(ii), details of the amendments made by the Authority and the reasons for them) to the Licensee:~~

~~(i) approve the Proposed Formula and the Forecast. The Proposed Formula shall then be the basis for calculating Total Allowed Transmission Revenue; or~~

(ii) approve the Proposed Formula and the Forecast with such amendments as it deems necessary or appropriate to ensure compliance with the basis of calculation set out in Condition 2.3A.8(d).

(d) The Licensee shall draw up the Proposed Formula and the Forecast having regard to the principle that the Licensee shall be entitled to receive by way of transmission charges:

(i) the costs incurred by the Licensee deemed necessary or appropriate by the Authority in administering, maintaining and operating the Transmission Network; and

(ii) the costs incurred by the Licensee deemed necessary or appropriate by the Authority from time to time to expand, reinforce and renew the Transmission Network together with an appropriate return on those costs as agreed between the Authority and the Licensee.

(e) In the event that the Authority gives its approval under Condition 2.3A.8(c)(ii) (in this Condition 2.3A.8(e), the "Approval"):

(i) the Approval shall not have effect for 28 days commencing with the date of the notice of the Approval;

(ii) the Licensee may within 28 days of the date of the notice of the Approval request the Authority by written notice to the Authority (a "disapplication notice"), not to apply the provisions of Condition 2.3A.8(c)(ii), in which event the Approval shall not apply;

(iii) unless within three months of the date of the disapplication notice the Authority makes a reference to the Competition Commission under Article 15 of the Order relating in whole or part to a modification of Condition 2.3A.8, then:

(aa) the Proposed Formula and the Forecast (in the form in which they were approved by the Authority under Condition 2.3A.8(c)(ii)) will continue not to be applied after that period has passed; and

(bb) the Proposed Formula and the Forecast (in the form originally proposed by the Licensee under Condition 2.3A.8(a)) shall apply as if

~~approved by the Authority pursuant to 2.3A.8(c)(i);~~

~~(iv) in the event of such a reference to the Competition Commission under Condition 2.3A.8(e)(iii), and if the Competition Commission finds that the continuation of this Condition 2.3A.8 without modification operates or may be expected to operate against the public interest, then until this Licence Document shall be modified in accordance with the Order as a result of that reference and any findings by the Competition Commission then the Proposed Formula and the Forecast (in the form originally proposed by the Licensee under Condition 2.3A.8(a)) shall apply as if approved by the Authority pursuant to 2.3A.8(c)(i).~~

~~2.3A.9 Determination of charges on the Transmission Network~~

~~In respect of any Gas Year, where a Designation Order is not in force in relation to the Licensee's Transmission network, the Licensee shall be subject to the provisions of this Condition.~~

~~(a) Licensee to establish methods~~

~~The Licensee shall establish the methods and principles on which transmission charges shall be determined for gas suppliers wishing and entitled (or entitled within the Gas Year in respect of which the methods and principles shall be determined for the next following Gas Year) to use the Transmission Network and, provided the Authority's approval has been obtained in accordance with Condition 2.3A.9(b), the Licensee shall publish the same in accordance with Condition 2.3A.9(c).~~

~~(b) Authority's approval required for transmission charges and other terms for the transmission of gas in the Transmission Network~~

~~The Authority's approval in writing is required for transmission charges on the Transmission Network and other terms for the transmission of gas in the Transmission Network.~~

~~No later than 2 months before it intends to publish its statement under Condition 2.3A.9(c) the Licensee shall notify the Authority of the contents of that statement, and:~~

(i) provide the Authority with such information and access to documents and records as will enable the Authority to be reasonably satisfied that the methodology, principles and effect of the charges are consistent with the terms of this Condition 2.3A, including without limitation Condition 2.3A.1(a) and any arrangements made pursuant to Condition 2.3A.8 where appropriate;

(ii) provide the Authority with an explanation of the other terms set out in the statement; and

(iii) prior to publication, obtain the Authority's approval to the form and content of that statement..

The Authority may require such changes to such charges and/or such other terms as it thinks desirable or necessary before giving its approval..

(c) Publication of Charges and Other Terms

The Licensee shall for each Gas Year publish a statement of:

(i) its transmission charging methodology for the use of the Transmission Network by gas suppliers for such Gas Year, by which any such gas supplier may reasonably be able to calculate applicable transmission charges; and

(ii) its other terms for the use of the Transmission Network by gas suppliers (and in relation to the Network Code by reference to the Network Code);

in such manner as will secure adequate publicity for it and the Licensee shall send a copy of any such statement to any person who requests a copy and subject to Condition 2.3A.10 such statement shall clearly distinguish cases and classes of cases of gas supplier for whom the transmission charging methodology may result in differing transmission charges.

The Licensee shall, unless the Authority otherwise consents, not charge for the transmission of gas in the Transmission Network during any Gas Year or apply other terms for the transmission of gas in the Transmission Network on any basis other than contained in its statement of transmission charges in respect of that Gas Year.

(d) Forecast Volumes

~~The Licensee shall, no later than two months after the first date on which those transmission pipe-lines which form part of the Transmission Network are no longer subject to a Designation Order, submit a five-year forecast of annual volumes of gas to be conveyed in the Transmission Network in respect of the first five Gas Years falling in whole or in part after such date, and shall submit such a forecast in respect of each period of five consecutive Gas Years thereafter.~~

~~(e) The Licensee shall not show any undue preference towards or undue discrimination against any gas supplier or case or classes of cases of gas supplier in the transmission charges made or other terms for the transmission of gas applied in relation to the Transmission Network.~~

~~2.3A.9A Resolution of disputes by the Authority~~

~~The Authority may, on the application of any person entitled (or claiming to be entitled) to require a connection to the Network will refer the application in the first instance to the General Consumer Council who will try to resolve the dispute, provided the General Consumer Council shall give the Licensee not less than one month in which to make representations regarding such application:~~

~~(a) the General Consumer Council will settle any dispute between the applicant and the Licensee in so far as it relates to the provision or making of a connection by the Licensee; and~~

~~in particular, determine the charges and other terms on which the Licensee shall (notwithstanding Condition 2.4.6) provide or make the connection in question (where the applicant is willing to accept the same),~~

~~in such manner as the Authority considers appropriate having regard to (in so far as is appropriate) the obligations that would otherwise have applied to the Licensee under this Condition 2.3A and the relevant objective as defined in Condition 2.5.1.~~

~~2.3A.9B Direction by the Authority~~

~~(a) Where the Authority determines that it is necessary for the Licensee to revise:~~

~~(i) the methods and principles on which it has determined the transmission charges as provided in the Licensee's latest published statement; and/or~~

(ii) the transmission charges and other terms for the transmission of gas determined and included in the latest published statement,

in order to ensure that they are (or continue to be) proportionate and applied in a non-discriminatory manner, the Authority may direct the Licensee to revise its methods, principles, charges or terms (as the case may be) in accordance with the provisions of the direction.

(b) The Licensee shall comply with the requirements of any direction issued by the Authority under this Condition 2.3A.9B and shall publish a revised statement in accordance with Condition 2.3A.9(c).

2.3A.10 Request for transmission charges quotation

(a) Within 28 days of receiving a request for the quotation of transmission charges for specified transmission services by a gas supplier, the Licensee shall provide the gas supplier with a specific statement of the transmission charges and other terms for the transmission of gas applicable to the transmission services for which the gas supplier requested a quotation;

and for the purposes of this Condition 2.3A.10(a) and the Licensee's obligation to provide a specific statement of transmission charges, a request for the quotation of transmission charges for specified transmission services shall be treated as such if it is in such form as the Licensee can reasonably be expected to provide a specific statement of transmission charges in return.

2.3A.11 Requirements relating to forecasts and estimates

The Licensee shall in submitting any forecasts or estimates required to be submitted under this Condition 2.3A use all reasonable endeavours to ensure that it provides the best forecasts or estimates based on the most comprehensive, current information obtainable at the time of submission.

2.3A.12 Powers of inspection

Without prejudice to the other provisions of this Licence Document, the Authority shall be entitled on reasonable prior notice to inspect those records of the Licensee reasonably

~~sufficient to enable him to satisfy himself as to matters falling within the subject of this Condition.~~

~~2.3 A.13 Termination Payments~~

~~2.3A.14 Additional Definitions~~

~~For the purposes of this Condition 2.3A:~~

~~"Actual Required Revenue"~~	~~in relation to the Licensee shall mean the Licensee's Total Allowed Transmission Revenue calculated in accordance with the Formula and in respect of any other Designated Pipe-line Operator shall have the meaning given in that Designated Pipe-line Operator's licence;~~
~~"Allowed Operating Expenditure"~~	~~shall have the meaning given to it in Condition 2.3A.4;~~
~~"Business Day"~~	~~means a day, other than a Saturday or Sunday, on which banks are open for ordinary banking business in Belfast;~~
~~"Commodity Reconciliation Payment"~~	~~shall have the meaning given to it in Part 2A of this Licence Document;~~
~~"Designated Pipe-line Operator"~~	~~shall have the meaning given to it in Part 2A of this Licence Document;~~
~~"Designation Date"~~	~~shall have the meaning given to it in Part 2A of this Licence Document;~~
~~"Designation Order"~~	~~shall have the meaning given to it in Part 2A of this Licence Document;~~
~~"Forecast Required Revenue"~~	~~shall mean the Licensee's Total Allowed Transmission Revenue calculated in accordance with the Formula;~~
~~"Formula"~~	~~means the formula set out in Condition 2.3A.2;~~

~~"Gas Year"~~	~~shall have the meaning given to it in Part 2A of this Licence Document;~~
~~"LIBOR"~~	~~shall have the meaning given to it in Part 2A of this Licence Document;~~
~~"Postalised System"~~	~~shall have the meaning given to it in Part 2A of this Licence Document;~~
~~"PSA"~~	~~shall have the meaning given to it in Part 2A of this Licence Document;~~
~~"Remaining RRP"~~	~~shall have the meaning given to it in Condition 2.3A.8(a);~~
~~"Retail Prices Index"~~	~~means the Retail Prices Index published by the Office of National Statistics from time to time;~~
~~"Revenue Recovery Period"~~	~~means the period commencing on the date of the Grant and ending at 06:00 hours on 01 October 2024;~~
~~"Review Period"~~	~~means a period identified as a Review Period in Condition 2.3A.7(b);~~
~~"Total Allowed Transmission Revenue"~~	~~means the maximum amount which the Licensee is permitted to recover through transmission charges in any Gas Year (to be calculated in accordance with the Formula until the end of the Revenue Recovery Period);~~
~~"Total Transmission Revenue"~~	~~means the total transmission charge revenue received by the Licensee in any Gas Year;~~
~~"transmission"~~	~~means the conveyance of gas by transmission pipe-line;~~
~~"transmission charges"~~	~~means the charges made by the Licensee for transmission services;~~
~~"Transmission Network"~~	~~means that part of the Network used for the transmission of gas;~~
~~"transmission services"~~	~~means all services provided by the Licensee of conveying gas by~~

	~~transmission pipe-line to, through and within the Licensed Area; and~~
~~"Trustee"~~	~~shall have the meaning given to it in Part 2A of this Licence Document.~~

Condition 2.4: Connection Charges and Obligation to permit a Connection

2.4.1 Provisional Statement of connection charges, terms for connection and meter connections and disconnections

Subject to Condition 2.4.3 and 2.4.4, the Licensee shall no later than 3 months after the coming into force of (i) this licence or (ii) any modification of this condition 2.4 (as the case may be) give the Authority a statement for the approval of the Authority as to form and content, showing the methods by which and the principles on which charges are to be determined by the Licensee, for:

(a) connecting any premises to ~~the Ballylumford to Torytown transmission pipe-line and any such other~~any part of the Network which can reasonably be expected to become operational prior to the Licensee giving its statement under Condition 2.4.2, and for maintaining, repairing and renewing the connection and disconnecting the premises and removing gas fittings owned by it and comprised in the connection;

(b) connecting and disconnecting non standard gas meters and gas meters not owned by the Licensee in any premises; and

(c) connecting to ~~the Ballylumford to Torytown transmission pipe-line and any such other~~any part of the Network which can reasonably be expected to become operational prior to the Licensee giving its statement under Condition 2.4.2, any pipe-line system to or from which gas will be conveyed by means of that ~~transmission pipe-line or~~ element of the Network, and maintaining, repairing and renewing the connection;

and in any such case the ~~Licence~~Licensee shall, when giving such a statement, include in that statement the Licensee's other terms for the connection and an

explanation of those terms together with the Licensee's technical design and operational requirements which apply to the making of a connection to its Network.

2.4.2 Statement of connection charges, terms for connection and meter connections and disconnections

Subject to Conditions 2.4.3 and 2.4.4, the Licensee shall no later than 1st September 1997 give the Authority a statement superseding that under Condition 2.4.1, for the approval of the Authority as to form and content, showing the methods by which and the principles on which charges are to be determined by the Licensee, for:

(a) connecting any premises to the Network, maintaining, repairing and renewing the connection and disconnecting the premises and removing gas fittings owned by it and comprised in the connection;

(b) connecting and disconnecting non standard gas meters and gas meters not owned by the Licensee in any premises; and

(c) connecting to the Network any pipe-line system to or from which gas will be conveyed by means of the Network and maintaining, repairing and renewing the connection,

and in any such case the Licence shall when giving such a statement include in that statement the Licensee's other terms for the connection and an explanation of those terms together with the Licensee's technical design and operational requirements which apply to the making of a connection to its Network.

2.4.3 The statement and cases and classes of cases

The statement given by the Licensee under Conditions 2.4.1 and 2.4.2 shall:

(a) subject to Condition 2.4.6(b), clearly distinguish cases and classes of cases of person for whom the Licensee proposes different methods or principles for connection; and

(b) in respect of any such case, or class of cases, show that element of connection costs the Licensee proposes to recover by way of conveyance charges to gas suppliers~~ including any Separate Business in the supply of gas~~.

2.4.4 The statement to give likely indication of costs and additional duty to provide information

The statement given under Conditions 2.4.1 and 2.4.2 shall also for the Authority's information where practicable indicate the costs likely to arise in respect of work done and materials used in connecting any premises, non standard gas meters, gas meters not owned by the Licensee or pipe-line system and the Licensee shall:

(a) prepare the statement in such a manner as will reasonably enable a person to estimate the Licensee's connection charges in those circumstances; and

(b) enable a person requesting a connection in those circumstances to determine what works or other actions he would need to undertake, including without limitation any work or action required to comply with the Licensee's technical design and operational requirements, for the Licensee to provide the connection.

2.4.5 Authority's approval required to stated connection charges and publication of statement

Subject to the Authority's prior approval to the form and contents of the statement given by the Licensee under Conditions 2.4.1 and 2.4.2 as they relate to charges for connection, the Licensee shall:

(a) publish that statement in such manner as will secure adequate publicity for it; and

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

and in approving the basis for charging for connection the Authority shall have regard to the need of the Licensee to be able to finance the carrying on of its activities and a return equal to that which in the reasonable opinion of the Authority is appropriate.

2.4.6 Connection charges and terms for connection, prohibition on undue discrimination and connection of pipe-line systems

The Licensee shall:

(a) not charge for a connection of premises, of any non standard gas meter, gas meter not owned by it or any pipe-line system to the Network on any basis or establish other terms for the connection on any basis other than that contained in the statement published under Condition 2.4.5;

(b) not show any undue preference towards or undue discrimination against any person or case or classes of cases of person seeking a connection of premises to the Network, or of any non standard gas meter, gas meter not owned by the Licensee or any person who operates or proposes to operate a pipe-line system, in relation to the connection of that system to the Network and in the case of a pipe-line system to be connected to the Network the Licensee shall not refuse a request for connection where the person seeking the connection is willing to pay the Licensee's charges for connection and comply with the Licensee's other terms for connection including any terms as to technical and safety matters; and

(c) within 28 days of receiving a request for the quotation of connection charges covered by the published statement, provide the person requesting the quotation with a specific statement of the connection charges and other terms of connection applicable to the request for a quotation;

and for the purposes of Condition 2.4.6(c) and the Licensee's obligation to provide a specific statement of connection charges, a request for the quotation of connection charges shall be treated as such if it is in such form as the Licensee can reasonably be expected to provide a specific statement of connection charges in return.

2.4.7 Direction by the Authority

(a) Where the Authority determines that it is necessary for the Licensee to revise:

(i) the methods and principles on which it has determined the charges and other terms for connection in the latest published statement; and/or

(ii) the charges and other terms for connection it has determined and included in the latest published statement,

in order to ensure that they are (or continue to be) proportionate and applied in a non-discriminatory manner, the Authority may direct the Licensee to revise its methods, principles, charges or terms (as the case may be) in accordance with the provisions of the direction.

(b) The Licensee shall comply with the requirements of any direction issued by the Authority under this Condition 2.4.7 and shall publish revised statements as soon as reasonably practicable in accordance with Condition 2.4.5.

2.4.8 Revising connection charges

Without prejudice to Condition 2.4.7, the Licensee shall not revise the basis of its charges for a connection of any premises, any non standard gas meter, any gas meter not owned by it or any pipe-line system to the Network or the other terms for the connection, without first giving the Authority a revised statement in the same terms as in either Condition 2.4.1 or 2.4.2 as the case may be and obtaining the Authority's approval to such a revision in the same terms as Condition 2.4.5.

2.4.9 Resolution of disputes by the Authority

The Authority may, on the application of any person entitled (or claiming to be entitled) to require a connection to the Network will refer the application in the first instance to the General Consumer Council who will try to resolve the dispute, provided the General Consumer Council shall give the Licensee not less than one month in which to make representations regarding such application:

(a) the General Consumer Council will settle any dispute between the applicant and the Licensee in so far as it relates to the provision or making of a connection by the Licensee; and

(b) in particular, determine the charges and other terms on which the Licensee shall (notwithstanding Condition 2.4.6) provide or make the connection in question (where the applicant is willing to accept the same), in such manner as the Authority considers appropriate having regard to (in so far as is

appropriate) the obligations that would otherwise have applied to the Licensee under Condition 2.4.6 and the relevant objective as defined in Condition 2.5.1. If the General Consumer Council is unable to resolve the dispute the application will be referred back to the Authority. The Authority will try to resolve the dispute with reference to conditions 2.4.9 (a) and 2.4.9 (b).

2.4.10 Explanation of connection charging methodology for introducing gas to the Network

The Licensee shall comply with any direction given by the Authority to furnish it with a statement showing, so far as reasonably practicable, the methods by which and the principles on which charges are to be made by the Licensee for making a connection for the purposes of introducing gas into the Network and, in the context of making such a connection, for:

(a) modifying apparatus and works associated with a high pressure pipe-line so as to increase the capacity of the pipe-line; or

(b) supplying and installing any pipe-line or works;

including where practicable an indication of likely costs and the other terms for doing so.

2.4.11 Authority's consent required for charges and other terms for introducing gas to the Network and prohibition on undue discrimination and connections for introducing gas to the Network

The Licensee shall not:

(a) charge for a connection to introduce gas to the Network on any basis or on any other terms without the consent of the Authority; and

(b) show any undue preference towards or undue discrimination against any person seeking a connection to introduce gas to the Network and in the case of a connection to introduce gas to the Network the Licensee shall not refuse a request for connection where the person seeking the connection is willing to pay the Licensee's charges for connection and comply with the Licensee's other terms for connection including any terms as to technical and safety matters.

2.4.12 Publication of connection charge statements

The Licensee shall:

(a) publish a statement of the basis of its connection charges for introducing gas to the Network and its other terms for connection as the Authority has consented to under Condition 2.4.9 in such manner as will secure adequate publicity for it; and

(b) send a copy of any such statement to any person who asks for one.

2.4.13 Interpretation and construction

References in this Condition to:

" charges" shall include references to means whereby such charges may be ascertained;

"prices" or "charges" shall exclude reference to any supplementary charges arising pursuant to special connection arrangements.

2.4.14 Special connection arrangements

The provisions of this Condition 2.4.14 and hence Conditions 2.4.15, 2.4.16 and 2.4.17 shall have effect from 1st January 2005 and "Special connection arrangements" means arrangements under which:

(a) the Licensee makes charges to gas suppliers, by way of supplement to conveyance charges, in respect of the laying of any main for the purpose of conveying gas to a number of new or existing premises in an area where gas had not previously been conveyed through pipes to premises (or where such conveyance had ceased for a period in excess of 3 years); and

(b) the charges are in accordance with principles and methods (whether general or specific to a particular locality) to which the Authority has given its consent prior to the appointed day or (if later) the construction of the main.

2.4.15 Supplemental connection charges

If the Licensee makes charges pursuant to special connection arrangements ("supplemental charges"), it shall:

(a) prepare and keep up to date a statement (or statements in respect of particular localities) of the principles and methods approved by the Authority and of the supplemental charges arising from time to time thereunder; and

(b) if the statements are not in a suitable form for the purpose, prepare and keep up to date a summary document for the use of ~~other~~ gas suppliers setting out the supplemental charges and particulars of where they apply.

2.4.16 Special connection arrangements statement

The Licensee shall publish any statement or summary document prepared pursuant to Condition 2.4.15 in such manner as will secure adequate publicity for it, and send a copy to any person who asks for one.

2.4.17 Supplemental charges

In any Condition (whether standard or otherwise) of this licence which limits the prices or revenues for the conveyance of gas (whether or not including storage) references to such prices or revenues shall be taken to exclude the prices applicable to or revenues arising from supplemental charges.

2.4.18 Obligation to permit a connection

Where the Licensee has ceased to be exclusively entitled to convey gas to any premises under Conditions 2.2.3 and 2.2.5 then subject to a person who has a licence or exemption to convey gas:

(a) satisfying any technical and safety criteria contained in the Network Code;

(b) satisfying the Licensee's technical design and operational requirements ;and

(c) paying to the Licensee a connection fee (determined by the Licensee except insofar as the Authority otherwise directs or determines under Condition 2.4.9(b)), to connect a pipe-line between the Network and the premises,

the Licensee shall permit a connection to the Network by that person.

Condition 2.4A Compliance with System Operator Agreements

2.4A.1 Ability to require other licence holders to enter into agreements

Subject to Condition 2.4A.2, where the Licensee is designated under this Licence Document as either a transmission system operator or a distribution system operator, it may require any other person holding a licence granted under Article 8(1)(a) of the Order (whether or not that person is also designated as a transmission system operator or a distribution system operator) to enter into an agreement relating to the interaction or interoperability of its Network with that person's network such that will ensure the conveyance of gas in a manner compatible with the secure and efficient operation of both systems.

2.4A.2 Approval by the Authority

The Licensee shall not require any person to enter any agreement of the type referred to in Condition 2.4A.1 unless the agreement, and where applicable any amendment to the agreement, has first been submitted to and approved by the Authority.

2.4A.3 Obligation to enter into agreements

Where the Licensee is required, either by a designated transmission system operator or by a designated distribution system operator (and in accordance with that person's licence), to enter into an agreement of the type mentioned in Condition 2.4A.1, the Licensee shall enter into any such agreement as may be reasonably required by that designated transmission system operator or distribution system operator (as the case may be).

2.4A.4 Network operator agreement

Without prejudice to Condition 2.4A.3, where the Licensee is a designated transmission system operator it shall enter into and comply with the Northern Ireland Network Operators Agreement (being the document of that name specified as such from time to time by the Authority).

Condition 2.5: Network ~~Codes~~Code

2.5.1 The relevant objective

The Licensee shall establish transportation arrangements, being arrangements other than those to which Conditions ~~2.3,~~ 2.3~~A~~ and 2.4 ~~and Part 2A~~ relate, for the conveyance of gas through ~~transmission pipelines and~~ distribution pipelines which are calculated to facilitate the achievement of the "relevant objective", that is to say:

(a) the secure, safe, reliable, efficient and economic development and operation and maintenance of the Network with due regard to the environment; and

(b) subject thereto:

(i) compliance with the Licensee's other obligations under this Licence Document; and

(ii) subject to Condition 2.5.1(b)(i) ~~and the Licensee's exclusive rights to supply gas under Condition 3.2.2,~~, the promotion of effective competition between Users .

2.5.2 Network ~~Codes~~Code

The Licensee shall:

(a) ~~(i)~~ prepare and provide to the Authority for its approval (no later than 1st ~~October 2004) a document (the "Transmission Network Code") setting out the arrangements for the conveyance of gas through transmission pipelines established under Condition 2.5.1 and the terms on which it will enter into such arrangements with Users for the conveyance of gas through transmission pipelines; (ii) prepare and provide to the Authority for its approval (no later than 1st~~ November 2004) a document (the "~~Distribution~~ Network Code") setting out the arrangements for the conveyance of gas through distribution pipelines established under Condition 2.5.1 and the terms on which it will enter into such arrangements with Users for the conveyance of gas through distribution pipelines;

(b) where, pursuant to Condition 2.14.1 ~~the Licensee is designated as a transmission system operator, ensure that the Transmission Network Code contains provisions that establish:~~

~~(i) the measures that the Licensee will put in place for the balancing of the Network;~~

~~(ii) the methodology used by the Licensee to procure the gas required for balancing the Network;~~

~~the methodology by which the charges to be levied on Users for the balancing of the Network are to be determined; (c) where, pursuant to Condition 2.14.2~~ the Licensee is designated as a distribution system operator, ensure that the Distribution Network Code contains provisions that establish:

(i) the measures that the Licensee will put in place for the balancing of the Network;

(ii) the methodology by which the charges to be levied on gas suppliers for the balancing of the Network are to be determined; and

(iii) the technical safety criteria applicable to the operation of the Network;

(~~d~~c) put such ~~Transmission Network Code and Distribution Network Code (together referred to in this Condition as "the Network Codes" and each a "Network Code")~~Network Code in place except as the Authority otherwise consents and comply with the provisions of ~~each of~~ the approved Network ~~Codes~~Code;

(~~e~~d) put in place appropriate contractual arrangements, approved by the Authority, which require compliance with ~~each of~~ the Network ~~Codes~~Code by the Licensee, the Users, and any third parties who may become parties to ~~that~~the Network Code; and

(~~f~~e)~~`~~ except in so far as the Authority consents to the Licensee doing so, not enter into any arrangements for the conveyance of gas except in accordance with the

provisions of the Network ~~Codes~~Code applicable from time to time to the circumstances of the case.

2.5.3 Where a term of ~~a~~the Network Code or of the modification rules referred to in Condition 2.5.5 is framed so that its proper implementation is to be determined with regard to whether it facilitates the achievement of the relevant objective, either the Licensee or any other party to the Network Code who has entered into the arrangements to which that term applies, may, to the extent that the term so provides, refer to the Authority for determination any question as to whether a manner in which the Licensee proposes to implement the term would secure that objective.

2.5.4 Modification of the Network ~~Codes~~Code

The Licensee shall establish and implement procedures for the modification of ~~each of~~ the Network ~~Codes~~Code by the Licensee, subject to the provisions of this Condition, so as to better facilitate the achievement of the relevant objective and which will enable:

(a) ~~each~~the Network Code to be reviewed;

(b) modifications to be proposed by the Authority, the Licensee or by any other party to the ~~relevant~~ Network Code;

(c) adequate publicity to be given to any proposal by:

(i) drawing it to the attention of other parties to the ~~relevant~~ Network Code;

(ii) sending a copy of the proposal to anyone who requests it; and

(iii) making it otherwise available in an appropriate manner where it is necessary for establishing whether the proposal would better facilitate the achievement of the relevant objective;

(d) the preliminary views of the Authority to be sought in relation to any matter arising on a proposal to modify ~~a~~the Network Code; and

(e) the representations or objections, with respect to any proposal to modify ~~a~~the

Network Code, made (and not withdrawn) by any other party to the ~~relevant~~ Network Code and by other persons who are likely to be materially affected by the proposal to be properly considered.

2.5.5 Modification Rules

The Licensee shall:

(a) prepare ~~each of~~ "the modification rules", that is to say a document, or documents, setting out the terms of the procedures established under Condition 2.5.4, and shall furnish the Authority with a copy of ~~each of~~ the modification rules;

(b) not make any modification to ~~either of~~ the modification rules except:

(i) after consulting the other parties to the ~~relevant~~ Network Code;

(ii) after furnishing the Authority with a report on such consultation and consideration; and

(iii) with the consent of the Authority; and

(c) furnish the Authority with a copy of any modification so made.

2.5.6 Prohibition on irregular modification

The Licensee shall not make any modification to ~~a~~the Network Code except:

(a) to comply with Condition 2.5.7(c); or

(b) with the consent of the Authority;

and shall furnish the Authority with a copy of any modification made.

2.5.7 Role of Authority in modifications

Where a proposal is made pursuant to the modification rules to modify ~~a~~the Network Code, the Licensee shall:

(a) refer for determination by the Authority any question as to whether the representations or objections by any other party to the ~~relevant~~ Network Code or by any other person, in respect of the proposal have been properly considered in accordance with those rules;

(b) as soon as reasonably practicable, give notice to the Authority:

(i) giving particulars of the proposal;

(ii) where the proposal is made by any other party to the ~~relevant~~ Network Code , giving particulars of any alternative proposal by the Licensee to modify ~~a~~the Network Code in respect of the same matter;

(iii) giving particulars of any representations or objections made by a party to the ~~relevant~~ Network Code or by any other person in respect of those proposals;

(iv) stating whether, in its opinion, any proposed modification should or should not be made;

(v) stating the factors which, in its opinion, justify making or not making the proposed modification; and

(vi) giving such further information as may be prescribed by the modification rules; and

(c) comply with any direction given by the Authority to make a modification to ~~a~~the Network Code in accordance with a proposal described in a notice given to the Authority under sub-paragraph (b) which, in the opinion of the Authority will, as compared to the existing provisions of ~~a~~the Network Code or any alternative proposal, better facilitate the achievement of the relevant objective.

2.5.8 Publication of Network ~~Codes~~Code

The Licensee shall:

(a) publish the Network ~~Codes~~Code and ~~each of~~ the modification rules as modified from time to time in such form and manner as the Authority may from time to time direct; and

(b) send a copy of the Network ~~Codes~~Code and ~~each of~~ the modification rules as modified from time to time to any person who asks for a copy on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct.

2.5.9 Authority to determine material effect on persons of transportation arrangements

Except in so far as the Authority otherwise consents, the Licensee shall refer for determination by the Authority any question as to whether a person is likely to be materially affected by transportation arrangements or by a proposal to modify ~~a~~the Network Code.

2.5.10 Reasons for refusal of access

~~Each of the~~The Network ~~Codes~~Code prepared in accordance with this Condition shall require the Licensee to give duly substantiated reasons for any refusal of access to the Network.

2.5.11 Prohibition on undue discrimination

The Licensee shall not show an undue preference for or undue discrimination against any person or class or classes of person:

(a) in assessing a person's application to become a party to the Network Code; and/or

(b) in its interpretation of the Network Code and the application of procedures contained in the Network Code.

2.5.12 Definitions

In this Condition 2.5, "User" means, as the context requires, any gas supplier or any person acting on behalf of a gas supplier who has made, or seeks to make, arrangements with the Licensee in pursuance of which gas is, or is to be, conveyed through the Network.

Condition 2.6: Provision and Return of Meters

2.6.1 Provision of Standard Meters

The following provisions shall apply with respect to standard gas meters:

(a) the Licensee shall at the request of any gas supplier wishing to supply gas to premises and at no additional charge to the conveyance charge provide the gas supplier and install at those premises a standard gas credit or pre-payment meter to register the quantity of gas supplied to those premises, provided that the number of standard gas pre-payment meters requested by the gas supplier in respect of premises supplied by him does not exceed 13 per cent of the total number of standard meters requested by the gas supplier; provided that

(b) the provisions of Condition 2.6.1(a) shall not apply, and the Licensee shall be entitled to charge its full costs of providing installing and operating a replacement standard gas meter requested by the gas supplier in accordance with principles and methodologies approved by the Authority, if the gas suppliers' request is to replace an existing standard gas credit or prepayment meter at premises connected to the Network by means of a service pipe, with a like standard gas credit or prepayment meter, and the existing standard gas credit or prepayment meter may otherwise be utilised by the gas supplier and is operational within the limits of required accuracy;

(c) the Licensee shall comply with the gas supplier's request prior to the commencement of the supply of gas to those premises by the gas supplier or at the request of the gas supplier at any time thereafter as soon as is reasonably practicable; and

(d) where a gas supplier requests a standard gas pre-payment meter in excess of the percentage permitted under Condition 2.6.1(a) then the gas supplier's requirement shall be treated in accordance with the provisions of Condition 2.6.2 as if that requirement were for a non standard gas pre-payment meter.

2.6.2 Provision of Non Standard Credit Meters and Pre-payment meters

The Licensee shall:

(a) comply with any reasonable request by any gas supplier wishing to supply gas to premises to provide and install at those premises a gas meter owned by the Licensee being a non standard gas credit or pre-payment meter (but being of an appropriate type), specified by the gas supplier, if a meter of that type is readily available to the Licensee; and:

(i) if the Licensee's capital, installation and (if any) operational costs of the non standard gas credit or pre-payment meter are greater than those like costs of a corresponding standard gas credit or pre-payment meter, as the case may be, then the Licensee shall be entitled to receive from the gas supplier the difference in the costs in accordance with principles and methodologies which the Authority has approved; or

(ii) if the Licensee's capital, installation and (if any) operational costs of the non standard gas credit or pre-payment meter are less than those like costs of a corresponding standard gas credit or pre-payment meter, as the case may be, then the Licensee shall pay the gas supplier the difference in the costs in accordance with the principles and methodologies which the Authority has approved; provided that

(iii) if the gas supplier's request is to replace an existing gas meter at premises connected to the Network by means of a service pipe, and that meter may otherwise be utilised by the gas supplier and is operational within the

limits of required accuracy, then the provisions of Condition 2.6.2(a)(i) and (ii) shall not apply and the Licensee shall be entitled to charge its full costs of providing, installing and operating the gas meter requested by the gas supplier in accordance with principles and methodologies approved by the Authority;

(b) comply with a request under Condition 2.6.2(a) prior to the commencement of the supply of gas to those premises by the gas supplier or at the request of the gas supplier at any time thereafter as soon as is reasonably practicable; and

(c) in the case of a non standard gas pre-payment meter the provisions of Condition 2.6.2(a) shall apply as stated whilst no more than 13 per cent of the total number of meters relied on by the gas supplier are of the pre-payment type and if this percentage is exceeded, then for the purposes of Condition 2.6.2(a) the comparison of costs of a non standard gas pre-payment meter shall be with a standard gas credit meter.

2.6.3 Installation of Gas Suppliers Meter

The Licensee shall:

(a) comply with any reasonable request by any gas supplier wishing to supply gas to premises to install at those premises a gas meter of an appropriate type owned by the gas supplier (or the owner or occupier of the premises); and

(i) if the Licensee's, installation and (if any) operational costs relating to such a gas meter are greater than the capital, installation and (if any) operational costs of a corresponding standard gas credit or pre-payment meter, as the case may be, then the Licensee shall be entitled to receive from the gas supplier the difference in accordance with principles and methodologies which the Authority has approved; or

(ii) if the Licensee's installation and (if any) operational costs relating to such a gas meter are less than the capital, installation and (if any) operational costs of a corresponding standard gas credit or pre-payment meter, as the case may be, then the Licensee shall pay the gas supplier the difference in

accordance with the principles and methodologies which the Authority has approved; provided that

(iii) if the gas supplier's request is to replace an existing gas meter at premises connected to the Network by means of a service pipe, and that meter may otherwise be utilised by the gas supplier and is operational within the limits of required accuracy, then the provisions of Condition 2.6.3(a)(i) and (ii) shall not apply and the Licensee shall be entitled to charge its full costs of installation and operation of the gas meter requested by the gas supplier in accordance with principles and methodologies approved by the Authority;

(b) comply with a request under Condition 2.6.2(a) prior to the commencement of the supply of gas to those premises by the gas supplier or at the request of the gas supplier at any time thereafter as soon as is reasonably practicable; and

(c) in the case of a gas pre-payment meter the provisions of Condition 2.6.3(a) shall apply as stated whilst no more than 13 per cent of the total number of meters relied on by the gas supplier are of the pre-payment type and if this percentage is exceeded, then for the purposes of Condition 2.6.3(a) the comparison of costs of a gas pre-payment meter shall be with a standard gas credit meter.

2.6.4 Prohibition on undue discrimination

The Licensee shall not show any undue preference towards or undue discrimination against any gas supplier seeking the provision and/or installation of a gas meter under this Condition.

2.6.5 Disconnection of Meters

Subject to Condition 2.6.6, where any gas meter owned by the Licensee is disconnected by or returned to the Licensee, it shall promptly make an appropriate record of the details displayed on the register of the meter at the time of disconnection or return and of such other information in its possession as shall subsequently enable the identity and time of disconnection or return of the meter and the premises from which it was disconnected to be ascertained and shall keep such a record for a period of not less than two years from the date of the later of such disconnection or return.

2.6.6 Safe Custody of Meters

Where the Licensee has reasonable cause to believe that any gas meter owned by it and disconnected by or returned to it is the subject of:

(a) any investigation in relation to proceedings or possible proceedings relating to the alleged theft of gas by any person; or

(b) a dispute as to the accuracy of the meter;

the Licensee shall use all reasonable endeavours to keep the meter in safe custody in the condition in which it was disconnected or returned and with the register unaltered:

(a) during the period of six months beginning with the date on which the meter was disconnected or returned, for so long as the Licensee continues to have reasonable cause to believe that the meter is or may be so relevant; and

(b) thereafter for as long as, to the Licensee's knowledge, the meter is so relevant.

2.6.7 Provision of Information

Where the Licensee is notified, pursuant to any regulations made under Article 22 of the Order, of the connection or disconnection of any meter at any premises for the purposes of that Article, it shall promptly give to the gas suppliers in respect of those premises the information so notified and furnish any further information as such gas suppliers may reasonably request relating to the meter and which the Licensee either has or may readily obtain.

Condition 2.6A Provision of information to a relevant gas licence holder

2.6A.1 Obligation to provide information

The Licensee shall furnish to any relevant gas licence holder such information concerning the operation and technical specifications of the Network in such manner and at such times as may:

(a) reasonably be required by that relevant gas licence holder to enable it to comply with its obligations under its own gas conveyance or gas storage licence or under any document established pursuant to a gas licence; or

(b) be specified in directions issued from time to time by the Authority to the Licensee for the purpose of this Condition 2.6A.1, having taken into consideration any representations made to the Authority by the Licensee and any relevant gas licence holder, and in accordance with any conditions contained in such directions.

2.6A.2 Ability to refuse

The Licensee shall be entitled to refuse to provide information under Condition 2.6A.1 on the grounds that its disclosure would seriously and prejudicially affect the commercial interests of the Licensee unless and until the Authority, by notice in writing given to the Licensee, directs it to provide that information on the ground that provision thereof is necessary or expedient for the purpose mentioned in Condition 2.6A.1.

2.6A.3 Excluded information

This Condition 2.6A shall not require the Licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before the High Court.

2.6A.4 Arrangements for protecting confidentiality

The Licensee shall not be obliged under Condition 2.6A.1(a) to provide information to any relevant gas licence holder which has not established, whether in pursuance of a licence condition or otherwise, effective arrangements designed to secure that information provided in pursuance of this condition (and similar licence conditions) is not communicated, directly or indirectly, to any gas supplier

or any person acting on behalf of a gas supplier who has made or seeks to make arrangements with that licensee in pursuance of which gas is conveyed through that licensee's network.

2.6A.5 Definitions and interpretation

In this Condition 2.6A, unless the context otherwise requires:

(a) "relevant gas licence holder" means any holder of a licence granted pursuant to Article 8(1)(a) or 8(1)(b) of the Order and/or any holder of a licence to convey (whether by transmission pipe-lines or distribution pipe-lines) or store gas granted under the relevant legislation of a jurisdiction other than Northern Ireland; and

(b) references to "licence" and "gas supplier" shall not be limited to licences granted under, or gas suppliers operating pursuant to licences or exemptions granted under, the Order.

Condition 2.7: Conduct of Transportation Business

2.7.1 Conduct of business activities

The Licensee shall conduct its business activities relating to the conveyance of gas (including any activities related to the making of arrangements with Other Network Operators for the conveyance of gas through their networks for the purposes of Condition 2.13) in the manner best calculated to secure that neither:

(a) ~~the Licensee or~~ any affiliate or related undertaking ~~of it~~ or any company of which the Licensee is an affiliate or related undertaking; nor

(b) any other licence holder or exemption holder;

obtains any unfair commercial advantage in any business in the storage or supply of gas including, in particular, any such advantage from a preferential or discriminatory arrangement.

2.7.2 Disclosure of information

The Licensee shall:

(a) use its best endeavours to secure that any information relating to or derived from its business activities relating to the conveyance of gas (including any activities related to the making of arrangements with Other Network Operators for the conveyance of gas through their networks for the purposes of Condition 2.13) is not disclosed for the benefit or used for the purposes of:

(i) any trading business affiliate or (so far as the Licensee can require it) related undertaking of the Licensee:

(ii) any company of which the Licensee is an affiliate or related undertaking; and

(b) subject to paragraph (a) above, not show any undue discrimination against, or undue preference towards, any person or class of person, in disclosing any information relating to its Authorised Business which may be commercially advantageous to any other person..

2.7.3 Exempt information

Condition 2.7.2 shall not extend to:

(a) information received by the Licensee which is relevant to any trading business of the Licensee~~, but only in so far as that information relates directly to the supply of gas as may be made exclusively by the Licensee under Condition 3.2.2~~; or

(b) information specified in any consent to non-compliance with that Condition given by the Authority to the Licensee; or

(c) information relating to a particular licence holder or holder of an exemption which that party has consented in writing to being used or disclosed in accordance with the terms of that consent; or

(d) information which it is necessary for the trading business to use or disclose in order to enter into and comply with arrangements for the conveyance of gas; or

(e) information which is in the public domain (other than as a result of contravention by the Licensee of any Condition of any licence granted under this Licence Document); or

(f) information which is required to be disclosed pursuant to a Condition of ~~any~~the licence granted under this Licence Document.

2.7.4 Additional definition

In this Condition "trading business" means activities connected with the acquisition and disposal of gas in Northern Ireland other than for the efficient operation of a pipe-line system operated by the Licensee or for replacing gas lost from the Network.

Condition 2.8: Emergency Services and Obligations

2.8.1 Emergency telephone service

The Licensee shall, in co-ordination with all other relevant persons :

(a) establish, or procure the establishment of, and subsequently operate and maintain, or procure the subsequent operation and maintenance of a single continuously attended telephone service (including reasonable facilities to communicate with deaf or partially hearing persons):

(i) for the receipt of reports of escapes of gas in respect of which the Licensee or such other relevant person may have obligations under Article 60 of the Order or under any regulations made by the Department under Schedule 5 paragraph 2 of the Order; and

(ii) for the Licensee to be informed of any escapes of gas in respect of which it may have such obligations; and

(b) secure adequate publicity for the service and its telephone number, having regard, in particular, to the special needs of blind or partially sighted persons.

2.8.2 Prevention of gas escapes

Where any gas escapes from the Network the Licensee shall, as soon as reasonably practicable of being informed of the escape, attend the place where gas is escaping and the Licensee shall take all necessary steps to prevent an escape of gas from any part of the Network or otherwise in any premises within 12 hours of receiving a report of such an escape (or of earlier becoming aware of the same); and subject to Condition 2.8.3, the Licensee shall make arrangements whereby, in preventing an escape of gas in any premises to which it conveys gas:

(a) the prevention is effected, so far as it is reasonably practicable and safe to do so:

(i) in such a way as to maintain the supply of gas to those premises and to appliances designed for use by domestic consumers for heating or cooking;

(ii) by carrying out any appropriate minor appliance repairs; and

(iii) by a person adequately trained in recognising the signs of leakage of carbon monoxide and instructed to report any such signs to the owner or occupier of the premises; and

(b) if further repair work is required, information is given to the owner or occupier of the premises or, in their absence, left at the premises as to persons in the locality who are permitted pursuant to regulations under the Health and Safety at Work (Northern Ireland) Order 1978 to perform repairs on gas fittings.

2.8.3 Carrying out of work

Nothing in Condition 2.8.2 shall oblige the Licensee to carry out any work which cannot be completed within 30 minutes of entering the premises for the purpose of preventing the escape or would use materials costing more than ~~,~~£4.00 adjusted annually in line with the retail price index from September 1996.

2.8.4 Special arrangements for pensioners, etc

Unless it has already done so, the Licensee shall make arrangements whereby, so far as is reasonably practicable, the occupier of any premises to which gas is conveyed by the Licensee who:

(a) is a domestic consumer;

(b) is chronically sick, disabled or of pensionable age;

(c) does not share the occupancy of the premises with any person who is not chronically sick, disabled or of pensionable age or a minor; and

(d) is included in the list of domestic consumers information in respect of which has been provided to the Licensee by any other gas supplier under the conditions of that party's licence or exemption;

is not deprived of adequate heating and cooking facilities where the conveyance of gas to those premises has been disconnected for the purpose of averting danger to life or property.

2.8.5 Modification of arrangements

The Licensee shall maintain the arrangements made by it in relation to the matters referred to in Condition 2.8.4, with such modifications to which the Authority consents.

2.8.6 Application of Condition 2.8.7

Condition 2.8.7 shall apply in relation to:

(a) non-domestic consumers who are supplied with gas on terms on which the supply of gas may only be interrupted or reduced in pursuance of ~~such a term as is mentioned in Condition 3.15.3 or in pursuance of~~ directions given under section 2(1)(b) of the Energy Act 1976; and

(b) the premises of such non-domestic consumers.

2.8.7 Priority for maintenance of supply

Where the Licensee considers that, for reasons of safety (unrelated to particular premises or a particular locality), the supply of gas to any non-domestic consumer to whom this Condition applies or the conveyance of gas to their premises needs to be interrupted, reduced or restricted, it shall, so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety~~:~~

~~(a) when telling a non-domestic consumer that he should use his best endeavours to refrain from using gas, in pursuance of such a term of that consumer's contract for the supply of gas as is mentioned in Condition 3.15.3, or(b)~~ when interrupting or restricting the conveyance of gas, give priority to the maintenance of the supply of gas to consumers on the priority list required by Condition 2.8.9 and the conveyance of gas to their premises.

2.8.8 Consultation with the Department

Where the reasons of safety referred to in Condition 2.8.7 relate to the whole or a substantial part of Northern Ireland or there is a significant shortage of gas affecting the whole or a substantial part of Northern Ireland, the Licensee shall consult with the Department on the taking of any such steps as are mentioned in Condition 2.8.7 (a) or (b)

and, so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety, shall do so before taking any such steps.

2.8.9 Priority List

The Licensee shall:

(a) unless it has done so before being licensed, establish a list of non-domestic consumers who should be given priority as respects the maintenance of a supply of gas and the maintenance of the conveyance of gas to their premises; and

(b) review, and so far as appears appropriate, amend the list from time to time, after consultation with relevant gas suppliers, and, without prejudice as aforesaid, shall conduct such a review and make any such amendments on being directed so to do by the Department;

and, if the Department has designated criteria to be taken into account when such a list is established or revised, the Licensee shall so take account of those criteria.

2.8.10 Determination by the Department

Any question arising under this Condition as to whether a particular non-domestic consumer satisfies the designated criteria shall be determined by the Department.

2.8.11 Definition

In this Condition 2.7

"relevant persons"	means all persons that undertake in Northern Ireland the activities specified in Article 6(1)(a) of the Order.

Condition 2.9: Standards of Performance

2.9.1 Licensee to take steps for the achievement of performance standards

The Licensee shall establish, unless it has done so before the coming into effect of this licence, and shall diligently take all reasonable steps for the achievement of standards of performance ("the established standards") relating to:

(a) the connection of the premises of domestic consumers to be supplied with gas to the Network and the maintenance of such connections;

(b) the arrangements made under Condition 2.8.4;

(c) the prevention of escapes of gas in or into the premises of domestic consumers.

2.9.2 Visits to premises, etc

The established standards shall, in particular:

(a) govern the making of visits to premises and the response to complaints and enquiries made in person, by telephone, in writing or otherwise in respect of the matters specified in Condition 2.9.1; and

(b) take into account the interests of those who are chronically sick, disabled or of pensionable age.

2.9.3 Report to Authority and General Consumer Council

As soon as is reasonably practicable after the end of each year ending on 31 December, the Licensee shall submit to the Authority and General Consumer Council a report dealing with the matters mentioned in Conditions 2.9.1 and 2.9.2 which shall include a comparison of the Licensee's performance against the established standards in relation to that year and shall:

(a) make public the report so submitted in such manner as will in the reasonable opinion of the Licensee secure adequate publicity for it; and

(b) send a copy of it free of charge to any person requesting one

except that, in performing the obligations under Conditions 2.9.3(a) and (b), the Licensee shall ensure that individual consumers cannot readily be identified except where they have consented.

Condition 2.10: Maintenance of Records

2.10.1 Recorded information

The Licensee shall hold in an appropriate form recorded information, insofar as the Licensee is reasonably able to acquire it, as to:

(a) every premises and pipe-line system to which gas has been conveyed by means of the Network during the relevant period;

(b) every third party who has arranged with the Licensee for gas to be conveyed by means of the Network at any place referred to in Condition 2.10.1(a) during the relevant period;

(c) insofar as the Licensee has been furnished with the information, in respect of each premises referred to in Condition 2.10.1(a) every gas supplier who has supplied during the relevant period gas which has been conveyed to those premises by means of the Network;

(d) insofar as the Licensee has been furnished with the information, the ownership of every meter first installed after the outlet of the final control valve of the service pipe at any premises referred to in Condition 2.10.1(a) for ascertaining the quantity of gas conveyed to the premises by means of that system during the relevant period;

(e) any information contained in a notice given to the Licensee under any regulations made by the Authority under Article 22 of the Order during the relevant period; and

(f) any information which has been provided to the Licensee by any other licence or exemption holder whether directly or indirectly pursuant to the conditions of his licence or exemption.

2.10.2 Additional definition

In this Condition, "the relevant period" means the preceding five years or such shorter period to which the Authority may consent in respect of any of the above requirements.

Condition 2.11: Powers of Licensee under Article 13 of the Order

2.11.1 The provisions of:

(a) Schedule 2; and

(b) Schedule 3;

of the Order shall apply to the Licensee.

Condition 2.12: Network Forecasts

2.12.1 Network Forecasts

The Licensee shall comply with a direction given by the Authority to prepare a statement in such form as may be specified in the direction giving, for the year commencing with the twelfth anniversary of this licence coming into force and each year thereafter, with respect to each of the 10 succeeding years for the remaining term of this licence such information as to forecasts of:

(a) the use to the best of the Licensee's knowledge and belief, likely to be made of the Network or any part of the Network by persons authorised to convey, store or supply gas under Article 8 of the Order (including the Licensee and any affiliate or related undertaking of the Licensee); and

(b) the likely developments to the Network which the Licensee expects from time to time to be taken into account in determining the charges for making connections to that system and for entering into arrangements for the conveyance of gas;

as will assist a person seeking to connect a pipe-line of his to the Network or enter into arrangements for the conveyance of gas in identifying and evaluating the opportunities for so doing.

2.12.2 Revised Network forecasts

Except in so far as the Authority consents to the Licensee not doing so, the Licensee shall, on an annual basis, prepare a revision of any statement prepared under Condition 2.12.1 so as to ensure that, so far as reasonably practicable, the information in the revised statement is up to date.

2.12.3 Provision and publication of forecasts

The Licensee shall, subject to any requirement to comply as is appropriate with the listing rules (within the meaning of Part IV of the Financial Services Act 1986) of the Stock Exchange and with Condition 2.12.4:

(a) furnish the Authority with a copy of the statement prepared under Condition 2.12.1 and of each revision of the statement prepared under Condition 2.12.2;

(b) in such form and manner as the Authority may direct, publish a description of the statement and of each revision; and

(c) send a copy of the statement and of each revision to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct.

2.12.4 Particular interests

In complying with the requirements of Condition 2.12.3 (b) and (c), the Licensee shall have regard to the need for excluding, so far as practicable:

(a) any matter which relates to the affairs of an individual, where the publication of that matter would or might seriously and prejudicially affect the interests of that individual; and

(b) any matter which relates specifically to the affairs of a particular body of persons, whether corporate or unincorporated where publication of that matter would or might seriously and prejudicially affect the interests of that body.

2.12.5 Determination by Authority of particular interests

Except in so far as the Authority consents to the Licensee not doing so, the Licensee shall refer for determination by the Authority any question as to whether any matter seriously and prejudicially affects the interests of an individual or a body of persons.

Condition 2.13 [Capacity Bookin]Booking

2.13.1 Licensee to maintain conveyance arrangements

Unless the Authority otherwise directs, the Licensee shall in respect of each Gas Year hold rights, in respect of use by the Licensee of capacity in the pipeline system of Other Network Operators, where such rights are available to the Licensee pursuant to and in accordance with the arrangements made by the Network Operators for such purposes, that are at least equal to the Forecast Network Capacity Requirement.

2.13.2 Forecast Network Capacity Requirement Definition

Forecast Network Capacity Requirement means the amount of capacity required to ensure that sufficient gas can be conveyed to meet daily firm demand from Network Consumers, which having regard to historical weather and other data derived from at least the previous 50 years and to representations made by Gas Suppliers in accordance with the procedures set out at Condition 2.13.3, is likely to be exceeded only in 1 year out of 20 years

2.13.3 Annual Consultation

Unless the Authority otherwise directs;

(a) no later than 21st February thereafter, the Licensee shall publish a draft statement of its best estimate of Forecast Network Capacity Requirement in the following Gas Year which, having regard to historical weather and other data from at least the previous 50 years, is likely to be exceeded only in 1 year out of 20 years in such form and manner as the Authority may direct and send a copy of the statement to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct; and

(b) no later than 21st March thereafter, the Licensee shall publish a final statement of the matters referred to in Condition 2.13.3(a)(i) above, having regard, in addition to the considerations referred to in that Condition, to any representations received by it within 21 days of the publication of the draft statement.

Additional Definitions

In this Condition:

"daily firm demand"	means the peak aggregate daily demand for gas by Network Consumers from time to time which might reasonably be expected after the supply of gas to each such consumer had been interrupted or reduced to the extent that is permitted under any contract between that consumer and its Gas Supplier;
"day"	means a period beginning at 6am on one day and ending immediately before 6am on the following day and "daily" shall be construed accordingly; and
"Network Consumers"	means all those persons located within the Licensed Area who are supplied with gas from the Network; and
"Other Network Operators"	means a person licensed to convey gas under Article 8(1)(a) of the Order or exempted from the requirement to be licensed to convey gas under Article 7(1) of the Order, other than the Licensee
"Gas Year"	means the period of time beginning at 06:00 hours on ~~01~~1st October in any calendar year and ending at 06:00 hours on ~~01~~1st October in the next succeeding calendar year;

Condition 2.14 System Operator Designation

2.14.1 ~~Transmission system operator~~

~~The Licensee is (for the purposes of Article 7 of Directive 2003/55/EC) hereby designated as transmission system operator for the Network.2.14.2~~ Distribution system operator

The Licensee is (for the purposes of Article 7 of Directive 2003/55/EC) hereby designated as distribution system operator for the Network.

~~2.14.3~~2.14.2 Definition

In this Condition 2.14:

"Directive 2003/55/EC"	means Directive 2003/55/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas.

~~**PART 2A**~~

~~**STANDARD CONDITIONS APPLICABLE TO THE CONVEYANCE OF GAS BY DESIGNATED PIPELINE OPERATORS**~~

~~Part 2 of the Licence incorporate the standard conditions the standard conditions applicable to the conveyance of gas by designated pipeline operators set out in Part 2A of the standard conditions of licences for the conveyance of gas.~~

~~**Condition 2A.1 – Interpretation and Construction**~~

~~**2A.1.1 Definitions**~~

~~In Part 2A of this Licence, except where expressly stated to the contrary and unless the~~

~~context otherwise requires, the following terms shall have the meanings ascribed to them below:~~

~~"Actual Figures"~~	~~means the Annual Exit Quantity and the Actual Firm Capacity figures to be provided by the Licensee to the Authority under Condition 2A.2.3.2(a);~~
~~"Actual Firm Capacity"~~	~~means the aggregate of GS Firm Capacity which has been held by Gas Suppliers in respect of a Gas Year and in respect of Exit Points on the Designated Network;~~
~~"Actual Required Revenue"~~	~~as the context requires, shall have the meaning ascribed to that term in the Special Conditions of this Licence or the meaning ascribed to it in the relevant licence of each Designated Pipe-line Operator;~~
~~"Annual Exit Quantity"~~	~~means the aggregate of all Gas Suppliers' Exit Quantities in respect of a relevant Gas Year and in respect of Exit Points on the Designated Network;~~
~~"Auxiliary Payment"~~	~~means any sum (whether or not contingent) in addition to aggregate Monthly Postalised Payments which a PS Gas Supplier is committed to pay on an annual basis in respect of Minimum Quantity Value;~~
~~"Business Day"~~	~~means a day, other than a Saturday or Sunday, on which banks are open for ordinary banking business in Belfast;~~
~~"Capacity Percentage"~~	~~shall have the meaning ascribed to that term in Condition 2A.2.5.2(a);~~
~~"Capacity Reconciliation Payment"~~	~~means a charge or a payment, as the context requires, made by the Licensee to each of its Gas Suppliers in respect of the difference between the Forecast Postalised Capacity Charge and the Year-End Postalised Capacity Charge applied to a Gas Year;~~
~~"Commodity Percentage"~~	~~shall have the meaning ascribed to that term in Condition 2A.2.5.1(a);~~
~~"Commodity Reconciliation Payment"~~	~~means a charge or a payment as the context requires, made by the Licensee to each of its Gas Suppliers in respect of the difference~~

	~~between the Forecast Postalised Commodity Charge and the Year-End Postalised Commodity Charge applied to a Gas Year;~~
~~"Credit Committee"~~	~~means the committee which is convened and operates in accordance with the Terms of Reference;~~
~~"Debt Entitlement"~~	~~shall have the meaning ascribed to that term in Condition 2A.6.1.2(b);~~
~~"Debt Notice"~~	~~means a notice issued by the PSA as contemplated by Condition 2A.4.3.1(f);~~
~~"Debt Notice Date"~~	~~means the date on which the PSA shall issue the Debt Notice each month as contemplated by Condition 2A.4.3.1(f), being the eighth Business Day in the relevant month;~~
~~"Debt Payment"~~	~~means a charge payable by a PS Gas Supplier in respect of PS Notified Debt as contemplated by Condition 2A.3.4 and as detailed in the applicable Debt Notice;~~
~~"Debt Repayment"~~	~~means a repayment payable to a PS Gas Supplier in respect of a Recovery as contemplated by Condition 2A.3.4.3(ii) and as detailed in the applicable Debt Notice;~~
~~"Designated Network"~~	~~means such part(s) of the Licensee's network as is or are designated from time to time pursuant to the Designation Order;~~
~~"Designated Pipe-line Operator"~~	~~means a person licensed to convey gas under Article 8(1)(a) of the Order through the Postalised System, including the Licensee;~~
~~"Designated Pipe-line Operators Agreement"~~	~~shall have the meaning ascribed to that term in Condition 2A.6.2.1;~~
~~"Designation Date"~~	~~means the date specified in a Designation Order on which any part of the Licensee's network shall be designated as postalised;~~
~~"Designation Order"~~	~~means an order made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003 designating gas pipe-lines comprised within the~~

	~~Licensee's network as being subject to a common tariff;~~
~~"Directions"~~	~~shall have the meaning ascribed to that term in Condition 2A.3.2;~~
~~"Distribution Business"~~	~~means, where applicable, a Separate Business of the Licensee which carries on the business of conveyance of gas through distribution pipe-lines and which, with the Authority's consent, may hold Firm Capacity;~~
~~"Due Date"~~	~~means the date on which payment of an invoice in respect of any PS Transmission Payment falls due, being the tenth Business Day in the month next after the month in which the relevant invoice was issued and shall be stipulated in the Network Code;~~
~~"Exit", "Exiting"~~	~~or forms thereof, refers to the offtaking of gas at an Exit Point;~~
~~"Exit Point"~~	~~means a point on the Designated Network at which gas is offtaken from the Designated Network by a Gas Supplier, which is not a Transit Point and which constitutes an Exit Point under the Network Code;~~
~~"Exit Quantity"~~	~~means the total quantity of gas, (measured in kWh) allocated to the Licensee's relevant Gas Supplier in respect of an Exit Point within a certain period, or any applicable Minimum Quantity Value in respect of such period, if higher;~~
~~"Firm Capacity"~~	~~means, at any relevant time in respect of a Gas Supplier, capacity (in kWh/day) held at such time by such Gas Supplier on a firm basis in respect of an Exit Point in accordance with the provisions of the Network Code and in respect of a Gas Year (or any part thereof); except that if any Minimum Capacity Value in respect of such period and such Gas Supplier is greater than such held capacity then the Firm Capacity deemed to be held by such Gas Supplier shall be that Minimum Capacity Value;~~
~~"Forecast Annual Quantity"~~	~~shall have the meaning ascribed to that term in Condition~~

	~~2A.2.3.1(a)(i);~~
~~"Forecast Figures"~~	~~shall mean such figures as are notified to the Authority under Condition 2A.2.3.1(a) as amended by any notice given by the Authority under Condition 2A.2.3.1(e), or such figures as are determined by the Authority under Condition 2A.2.3.1(g), as appropriate;~~
~~"Forecast Postalisation Formulae"~~	~~means the formulae set out in Condition 2A.2.5;~~
~~"Forecast Postalised Capacity Charge"~~	~~means a charge in respect of each kWh/day of Initial Firm Capacity held by the Licensee's Gas Suppliers in respect of an Exit Point in a Gas Year which shall be calculated in accordance with Condition 2A.2.5.2;~~
~~"Forecast Postalised Charges"~~	~~means a Forecast Postalised Commodity Charge and a Forecast Postalised Capacity Charge;~~
~~"Forecast Postalised Commodity Charge"~~	~~means a charge in respect of each kWh of gas allocated to the Licensee's Gas Suppliers for Exit from the Designated Network in a Gas Year which shall be calculated in accordance with Condition 2A.2.5.1;~~
~~"Forecast Required Revenue"~~	~~as the context requires, shall have the meaning ascribed to that term in the Special Conditions of this Licence;~~
~~"Forecast Supplier Quantity"~~	~~means the quantity of gas which a Gas Supplier forecasts it will Exit from the Designated Network in a given period, provided that, if in relation to a Gas Supplier such quantity is less than any applicable Minimum Quantity Value, the Forecast Supplier Quantity in relation to such Gas Supplier shall be such Minimum Quantity Value;~~
~~"Gas Supplier"~~	~~means any person authorised by licence under Article 8 of the Order or by exemption under Article 7 of the Order to supply gas, (including the Licensee as so authorised or exempted) and who is~~

	~~entitled to Exit gas from the Designated Network or any person who is not so authorised, but with the Authority's consent either: (i) holds Firm Capacity; or (ii) is entitled to Exit gas from the Designated Network as if it were a Gas Supplier, but shall not include the Licensee if and to the extent that it is providing balancing gas in respect of any part of the Postalised System;~~
~~"Gas Year"~~	~~means the period of time beginning at 06:00 hours on 01 October in any calendar year and ending at 06:00 hours on 01 October in the next succeeding calendar year;~~
~~"GS Annual Exit Quantity"~~	~~shall have the meaning ascribed to that term in Condition 2A.2.6.3(b);~~
~~"GS Firm Capacity"~~	~~means the Firm Capacity held by a Gas Supplier in respect of all Exit Points on the Designated Network in a Gas Year multiplied in each case by the aggregate number of months in respect of which such Firm Capacity is held in such Gas Year and divided by 12;~~
~~"Initial Firm Capacity"~~	~~means the total of all Firm Capacity held by the Licensee's Gas Suppliers in respect of a Gas Year as at the last Business Day of June preceding such Gas Year except the Gas Year commencing 01 October 2004 where Initial Firm Capacity shall mean the total of all Firm Capacity (in kWh/day) in respect of a Gas Year, such figure to be determined by the Authority no later than 30 September 2004;~~
~~"Invoice Date"~~	~~means the tenth Business Day in a month;~~
~~"kWh"~~	~~means 3,600,000 joules as defined in ISO 1000-1981(E);~~
~~"LIBOR"~~	~~means the sterling London Interbank Offered Rate as published in the Financial Times from time to time;~~
~~"MDQ"~~	~~means the maximum quantity of gas which may be offtaken from an Exit Point by a Gas Supplier in any day in respect of the Firm Capacity held by that Gas Supplier under the Network Code;~~

~~"Minimum Capacity Value"~~	~~means any minimum quantum of capacity (in kWh/day) in respect of which a PS Gas Supplier is obliged under contract to the Licensee or to any other Designated Pipe-line Operator to pay transmission charges in respect of a Gas Year;~~
~~"Minimum Quantity Value"~~	~~means any minimum quantity of gas (in kWh) in respect of which a PS Gas Supplier is obliged under contract to the Licensee or to any other Designated Pipe-line Operator to pay transmission charges in respect of a Gas Year or part thereof;~~
~~"Monthly Debt Payment Entitlement"~~	~~means the entitlement of a Designated Pipe-line Operator in respect of the Net Debt Position in a month, calculated in accordance with Condition 2A.6.1.2(b);~~
~~"Monthly Distribution"~~	~~has the meaning ascribed in Condition 2A.6.1.4,~~
~~"Monthly Entitlements"~~	~~means Monthly Postalised Entitlements and Monthly Debt Payment Entitlements;~~
~~"Monthly Postalised Capacity Payment"~~	~~means an amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.2(b);~~
~~"Monthly Postalised Commodity Payment"~~	~~means an amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.1(b);~~
~~"Monthly Postalised Entitlement"~~	~~means the entitlement of a Designated Pipe-line Operator in respect of Monthly Postalised Payments and any Auxillary Payment payable into the PoT Account in a month, calculated in accordance with Condition 2A.6.1.2(a)(i);~~
~~"Monthly Postalised Payments"~~	~~means Monthly Postalised Commodity Payments and Monthly Postalised Capacity Payments;~~
~~"Net Debt Position"~~	~~means a balance calculated in respect of a month with reference to PS Notified Debt and Recoveries in accordance with Condition 2A.3.4.3 and in respect of which a Debt Payment or Debt Repayment may be made;~~

~~"Non Payment Month"~~	~~means a month in which a relevant PS Non-Payment occurred;~~
~~"Postalised Charges"~~	~~means the Forecast Postalised Charges and/or the Year-End Postalised Charges as the case may be;~~
~~"Postalised System" or "PS"~~	~~means the system comprising all gas pipe-lines designated as being subject to a common tariff pursuant to all orders made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003 in force at such time;~~
~~"PoT Account"~~	~~shall have the meaning ascribed to that term in Condition 2A.5.3.1(a);~~
~~"Primary DPO"~~	~~means the Designated Pipe-line Operator holding a licence to convey gas in respect of a part of the Postalised System on which the PS Gas Supplier is entitled to exit gas;~~
~~"PSA"~~	~~shall have the meaning ascribed to that term in Condition 2A.4.1.1;~~
~~"PS Actual Required Revenue (PSARR)"~~	~~means, in respect of a Gas Year, the sum of all Actual Required Revenues in respect of such Gas Year;~~
~~"PSA Agreement"~~	~~shall have the meaning ascribed to that term in Condition 2A.4.1.1;~~
~~"PSA Functions"~~	~~shall have the meaning ascribed to that term in Condition 2A.4.3.1;~~
~~"PS Actual Firm Capacity"~~	~~shall have the meaning ascribed to that term in Condition 2A.2.6.2;~~
~~"PS Annual Exit Quantity"~~	~~shall have the meaning ascribed to that term in Condition 2A.2.6.1;~~
~~"PS Forecast Annual Quantity"~~	~~shall have the meaning ascribed to that term in Condition 2A.2.5.1;~~
~~"PS Forecast Required Revenue (PSFRR)"~~	~~means in respect of a Gas Year the sum of all Forecast Required Revenues as such term is defined in each Respective Licence in respect of all Designated Pipe-line Operators in respect of such Gas Year;~~

~~"PS Gas Supplier"~~	~~means any person who is entitled to exit gas from the Postalised System;~~
~~"PS Initial Firm Capacity"~~	~~shall have the meaning ascribed to that term in Condition 2A.2.5.2;~~
~~"PS Non-Payment"~~	~~means:~~ ~~(i) the failure of a PS Gas Supplier to pay into the PoT Account all or part of the PS Transmission Payments due from it by the Due Date, or the clawback by an administrator or liquidator of the amount of any payment (or part of such payment) made into the PoT Account by a PS Gas Supplier in respect of a PS Transmission Payment; or~~ ~~(ii) the amount of PS Transmission Payments which the relevant PS Gas Supplier has failed to pay or the amount which is subject to clawback by an administrator or liquidator~~ ~~as the context requires but shall not apply to any sums due under the Network Code upon termination of a PS Gas Supplier's Accession Agreement in respect of periods after the date of termination;~~
~~"PS Notified Debt"~~	~~means, at any time, the aggregate of PS Non-Payments, excluding any VAT element, which are at that time or were prior to that time the subject of a notification by a Designated Pipe-line Operator to the PSA as contemplated in Condition 2A.3.4.1 of such Designated Pipe-line Operator's licence;~~
~~"PS Transmission Payments"~~	~~means any amount payable by a PS Gas Supplier in respect of the provision of gas conveyance services on the Postalised System under Conditions 2A.2.2.1 (Monthly Postalised Payments); 2A.2.2.2 (Debt Payments); and 2A.2.2.3 (Reconciliation Payments); 2A.2.5.1(c) (Auxiliary Payments) and 2A.2.6.4 (Supplemental Payments) under each Designated Pipe-Line Operator's Respective Licence;~~

~~"Quantity Figures"~~	~~shall have the meaning ascribed to that term in Condition 2A.2.3.1(b);~~
~~"Quarter"~~	~~means each successive three calendar month period in a Gas Year, the first of which shall run from and including 06:00 hours 01 October until 06:00 hours 01 January in that Gas Year; and "Quarterly" shall be construed accordingly;~~
~~"Quarterly Exit Quantity"~~	~~means the aggregate of Exit Quantities in a Quarter;~~
~~"Reconciliation Payment"~~	~~means the Capacity Reconciliation Payment and the Commodity Reconciliation Payment;~~
~~"Reconciliation Payment Formulae"~~	~~means the formulae contained in Condition 2A.2.6.3 in accordance with which Reconciliation Payments shall be calculated;~~
~~"Recovery"~~	~~means any amount (other than a Debt Payment) paid by or on behalf of a PS Gas Supplier either directly into the PoT Account or to a Designated Pipe-line Operator and subsequently paid by that Designated Pipe-line Operator into the PoT account, in full or partial satisfaction of any PS Notified Debt attributable to that PS Gas Supplier;~~
~~"Relevant Charge Date"~~	~~shall have the meaning ascribed to that term in Condition 2A.2.5.4;~~
~~"Respective Licence"~~	~~means in respect of each of the Designated Pipe-line Operators the licence for the conveyance of gas granted to it pursuant to Article 8(1) of the Order or that part of a combined licence relating to the conveyance of gas;~~
~~"Second Due Date"~~	~~means, in respect of a PS Non-Payment which occurred in a Non-Payment Month, the fifteenth Business Day after the respective Due Date as stipulated in the Network Code;~~
~~"Separate Business"~~	~~means each of the following businesses of the Licensee (as appropriate):~~ ~~(i) the conveyance of gas through a transmission pipe-line~~

	~~pursuant to a licence granted in accordance with Article 8(1)(a) of the Order;~~ ~~(ii) the distribution of gas through distribution pipe-lines pursuant to a licence granted in accordance with Article 8(1)(a) of the Order; and~~ ~~(iii) the supply of gas pursuant to a licence granted in accordance with Article 8(1)(c) of the Order~~ ~~each taken separately from one another and from any other business of the Licensee or any affiliate or related undertaking of the Licensee;~~
~~"Supplemental Payment"~~	~~means any sum (whether or not contingent) in addition to aggregate Monthly Postalised Payments which a PS Gas Supplier is committed to pay on an annual basis in respect of transmission through the Postalised System and which is calculated otherwise than on the basis of a minimum quantity of gas or minimum quantum of capacity;~~
~~"Supply Business"~~	~~means, where applicable, the Separate Business of the Licensee which carries on the business of the supply of gas;~~
~~"Termination Payments"~~	~~means any amount payable on the termination of a Gas Supplier's Accession Agreement under the terms of the Network Code;~~
~~"Terms of Reference"~~	~~means the terms of that name appended to the Network Code which govern the operation of the Credit Committee;~~
~~"Total Monthly Payments"~~	~~shall have the meaning ascribed to that term in Condition 2A.3.4.3;~~
~~"Transit", "Transiting"~~	~~or forms thereof, refers to the conveyance of gas through the Designated Network to another part of the Postalised System;~~
~~"Transit Point"~~	~~means a point of interconnection between the Designated Network and another pipe-line forming part of the Postalised System;~~

~~"Trust and Account Bank Agreement"~~	~~means the agreement in the form approved by the Authority and made between the Designated Pipe-line Operators, the Trustee and account bank which governs the operation of the PoT Account;~~
~~"Trustee"~~	~~shall have the meaning ascribed to that term in Condition 2A.5.1.1;~~
~~"Trustee Functions"~~	~~shall have the meaning ascribed to that term in Condition 2A.5.3.1;~~
~~"Undesignated Network"~~	~~means such part(s) of the network as is or are not from time to time comprised in the Designated Network;~~
~~"Unrecovered Postalisation Payments"~~	~~shall have the meaning ascribed to that term in Condition 2A.4.3.1(l);~~
~~"VAT Distributions"~~	~~means distributions made by the Trustee on the instructions of the PSA from the PoT Account as calculated in accordance with condition 2A.4.3.1 (d);~~
~~"Year-End Amount"~~	~~shall have the meaning ascribed to that term in Condition 2A.6.1.3;~~
~~"Year-End Postalisation Formulae"~~	~~means the formulae set out in Condition 2A.2.6;~~
~~"Year-End Postalised Capacity Charge"~~	~~means a charge applicable to each kWh/day of Firm Capacity held by each Gas Supplier for Exit from any part of the Designated Network in respect of a Gas Year in accordance with Condition 2A.2.6.2;~~
~~"Year-End Postalised Charge"~~	~~means the Year-End Postalised Capacity Charge and the Year-End Postalised Commodity Charge; and~~
~~"Year-End Postalised Commodity Charge"~~	~~means a charge applicable to each kWh of gas allocated to each Gas Supplier in respect of an Exit Point during a Gas Year in accordance with Condition 2A.2.6.1.~~

~~2A.1.2 Interpretation~~

~~In Part 2A all capitalised terms shall have the meaning ascribed to them in such part, notwithstanding any other definition of any such term elsewhere in the~~

~~Licence. Capitalised terms within Part 2A which are not defined within such part shall have the meaning ascribed to them elsewhere in the Licence.~~

~~2A.1.3 Provision of Information~~

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

~~2A.1.4 Units of Measurement~~

~~For the avoidance of doubt:~~

~~(a) the Licensee shall be entitled to invoice for any Postalised Charges in the unit of Mwh or Mwh/day, subject to the Authority's consent; and~~

~~(b) where any measurement is to be expressed in Kwh or Kwh/day the Licensee may satisfy such obligations by using the Kwh or Kwh/day equivalent of a measurement expressed in Mwh or Mwh/day as the case may be.Condition 2A.2 – Postalisation Charges~~

~~2A.2.1 Charges on the Designated Network~~

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

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

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

~~Recoveries into the PoT Account.~~

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

~~2A.2.2 Charging methodology for the conveyance of gas~~

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

~~2A.2.2.2 The Licensee shall charge each of its Gas Suppliers any Debt Payment payable by them in accordance with any Debt Notice; and shall reduce any relevant invoice in respect of Monthly Postalised Payments by the amount of any Debt Repayment in accordance with any Debt Notice in each case in accordance with the terms of this Licence and the applicable provisions of the Network Code.~~

~~2A.2.2.3 On or before the 10th Business Day in December following the end of each Gas Year in respect of which the Licensee has charged Monthly Postalised Payments to a Gas Supplier pursuant to Condition 2A.2.2.1 the Licensee shall, subject to Condition 2A.2.2.5, charge to such Gas Supplier any Supplemental Payment, and charge or repay (as appropriate) to such Gas Supplier a Commodity Reconciliation Payment and a Capacity Reconciliation Payment applicable in respect of that Gas Year calculated in accordance with the Reconciliation Payment Formulae in Condition 2A.2.6.3.~~

~~2A.2.2.4 Unless the Authority otherwise expressly consents in writing the Licensee shall apply no charge on the Postalised System other than the PS Transmission Payments or as otherwise permitted under the Licence or the Network Code.~~

~~2A.2.2.5 The Licensee shall acknowledge that each PS Gas Supplier's obligation to pay PS Transmission Payments shall be consideration for the allocation by the Licensee to such PS Gas Supplier, their nominee or agent (such nominee or agent to be a PS Gas Supplier or otherwise approved by the Authority) of both Firm Capacity at a Transit Point on the Designated Network and the relevant quantity of gas for exit at a Transit Point for the purpose of the Transit of such gas.~~

~~2A.2.3 Duty to provide forecasts and information relating to the calculation of the Postalised Charges~~

~~2A.2.3.1 Forecasts and information relating to following Gas Years~~

~~(a) For the purpose of Condition 2A.2.5, the Licensee shall use its reasonable endeavours, in each Gas Year, to provide the following forecasts and information in respect of the next Gas Year ("GY") and each of the following four Gas Years inclusive ("GY+1" to "GY+4" respectively) (the "Forecast Figures") to the Authority no later than the last Business Day in June:~~

~~(i) the total of all Forecast Supplier Quantities in a Gas Year (the "Forecast Annual Quantity") together with:~~

~~(aa) an explanation of the reasons why any Forecast Annual Quantity in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the Forecast Annual Quantity in respect of GY;~~

~~(bb) a breakdown of the Forecast Annual Quantities in respect of each Exit Point in each relevant Gas Year; and~~

~~(cc) a breakdown showing the proportions of the Forecast~~

~~Annual Quantity and aggregated Forecast Supplier Quantities attributable to each Quarter of GY;~~

~~(ii) the assumptions on which the figures provided pursuant to Condition 2A.2.3.1(a)(i) were based:~~

~~(aa) which for power stations shall include but not be limited to load factors, generation output and efficiency;~~

~~(bb) which for Gas Suppliers to distribution networks shall include but not be limited to numbers of consumers and average forecast quantity per consumer;~~

~~and in either case shall include an explanation of any material difference between such forecasts for the year GY and the forecast in respect of the then current Gas Year; and~~

~~(iii) the Initial Firm Capacity in respect of GY and a forecast of Initial Firm Capacity in respect of GY+1 to GY+4 inclusive, together, if applicable, with an explanation of the reasons why any forecast is higher or lower than the Initial Firm Capacity figure for GY.~~

~~(b) The Licensee shall use its reasonable endeavours to ensure that all Forecast Figures supplied to the Authority in accordance with Condition 2A.2.3.1(a) are as accurate as possible having regard to the information and forecasts available to the Licensee including that provided by its Gas Suppliers and shall provide to the Authority, with the figures provided under Condition 2A.2.3.1(a)(i) (the "Quantity Figures"), a full explanation as to how they have been calculated. In the event that any such Gas Supplier has failed to provide such information prior to the date specified by 2A.2.3.1(a), the Licensee shall ensure that the Quantity Figures are as accurate as possible having regard to the information and forecasts available to the Licensee and shall inform the Authority which Gas Suppliers have failed to provide the required information.~~

~~(c) The Licensee shall promptly provide to the Authority such further~~

~~information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires, in relation to the Quantity Figures.~~

~~(d) The Licensee may fulfil its obligations under this Condition 2A.2.3.1 by providing the relevant information in a joint report with one or more other Designated Pipe-line Operators which shall comply with this Condition 2A.2.3.1 in respect of the Licensee and each such Designated Pipe-line Operator.~~

~~(e) If, in the Authority's reasonable opinion, having regard to information and explanations provided by the Licensee and representations made on or before the twelfth Business Day in July by parties which the Authority reasonably considers to have sufficient interest in making such representations (such parties to include the Licensee):~~

- ~~a Forecast Annual Quantity figure does not represent an accurate estimate taking into proper account all relevant information; and/or~~
- ~~the assumptions provided in accordance with Condition 2A.2.3.1(a)(ii) are inappropriate;~~

~~the Authority may by notice to the Licensee given on or before the thirteenth Business Day in July of the relevant Gas Year modify the Forecast Annual Quantity, such notice to contain an explanation of the reasons for such modification. The modified figure set out in any such notice shall be substituted for and for all purposes treated as the Forecast Annual Quantity submitted by the Licensee.~~

~~(f) The Licensee shall, not later than the fifteenth Business Day in July submit the Forecast Figures (adjusted to reflect any modification made by the Authority pursuant to Condition 2A.2.3.1(e)) to the PSA for calculation of the Forecast Postalised Charges in accordance with the PSA Agreement.~~

~~(g) If the Licensee fails to provide the Forecast Figures in accordance with, and/or by the date specified in, Condition 2A.2.3.1(a) the Authority shall be entitled on or after the thirteenth Business Day in July by written notice to~~

~~the Licensee and the PSA to determine the Forecast Figures. Forecast Figures so determined may at the Authority's discretion either:~~

~~(i) reflect the Actual Figures in respect of the previous Gas Year; or~~

~~(ii) be such other figures as the Authority reasonably deems appropriate.~~

~~2A.2.3.2 Information relating to previous Gas Year~~

~~(a) In each Gas Year commencing on or after 1st October 2005, for the purpose of Condition 2A.2.6, the Licensee shall submit to the Authority and to the PSA, in each case no later than the tenth Business Day in November, the following information (the "Actual Figures") for the immediately preceding Gas Year:~~

~~(i) the Annual Exit Quantity in that Gas Year, together with a breakdown of that figure by Exit Point; and~~

~~(ii) the Actual Firm Capacity.~~

~~and with the Actual Figures, the Licensee shall provide the Authority and each of the other Designated Pipe-Line Operators with any further information required under any other Condition of this Licence.~~

~~(b) The Licensee shall provide to the Authority such further information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires in connection with its consideration of any differences between the Forecast Figures and the corresponding Actual Figures for the relevant Gas Year.~~

~~(c) If the Licensee fails to provide the Actual Figures in accordance with, and/or by the date specified in, Condition 2A.2.3.2(a) the Authority shall be entitled to determine the Actual Figures as it reasonably deems appropriate and shall inform the Licensee and the PSA by notice of the Actual Figures so determined.~~

~~2A.2.3.3 Provision of quarterly information~~

(a) In respect of each Gas Year commencing on or after the Designation Date, the Licensee shall provide:

(i) the Authority; and

(ii) all of the other Designated Pipe-line Operators;

with a breakdown of the Quarterly Exit Quantities by Exit Point for the relevant Quarter and any other information required to be provided by the Licensee on a Quarterly basis under this Licence, no later than 10 Business Days after the end of each Quarter in a Gas Year.

(b) At the same time as the Licensee provides the figures required under Condition 2A.2.3.3(a), the Licensee shall confirm to the Authority, the other Designated Pipe-line Operators and each of the PS Gas Suppliers whether it is aware of or has reason to believe that the Forecast Figures provided in accordance with Condition 2A.2.3.1(a) for the remainder of the current or any future Gas Years will or may be materially inaccurate. If the Licensee suspects such material inaccuracy, it shall provide details of the extent of such inaccuracy, and its reasons for such belief.

(c) The Licensee may fulfil its obligations under this Condition 2A.2.3.3, by submitting, together with one or more other Designated Pipe-line Operators, a joint report which shall comply with this Condition 2A.2.3.3.

(d) The Licensee shall provide to each PS Gas Supplier details of the aggregate sum of all Quarterly Exit Quantities (whether in the form of a joint report or otherwise) in respect of each Exit Point on the Designated Network.

2A.2.4 Duty to co-operate with the PSA and other Designated Pipe-line Operators

The Licensee shall co-operate with the PSA and other Designated Pipe-line Operators with a view to facilitating the PSA in complying with its obligations under the PSA Agreement and to facilitating the other Designated Pipe-line Operators in complying with their obligations under Conditions 2A.2 and 2A.4 of their Respective Licences.

~~**2A.2.5 Forecast Postalised Charges**~~

~~Subject to Condition 2A.2.8, the Forecast Postalised Charges shall be calculated by the PSA and shall comprise a Forecast Postalised Commodity Charge calculated in accordance with Condition 2A.2.5.1 and a Forecast Postalised Capacity Charge calculated in accordance with Condition 2A.2.5.2.~~

~~**2A.2.5.1 Forecast Postalised Commodity Charge**~~

~~(a) Subject to Conditions 2A.2.5.3, 2A.2.5.4 and 2A.2.8, the Forecast Postalised Commodity Charge to be charged in respect of Gas Year "t" to each Gas Supplier in respect of each kWh of gas allocated to each such Gas Supplier under the Network Code in respect of each Exit Point during that Gas Year shall be calculated in accordance with the following formula:~~

$$FPComC_t = \frac{PSFRR_t * \text{Commodity Percentage}}{\text{PS Forecast Annual Quantity}_t}$$

~~where:~~

~~"**$FPComC_t$**" means the Forecast Postalised Commodity Charge for Gas Year "t";~~

~~"**Commodity Percentage**" means:~~

~~(i) 50% in respect of Gas Years ending on or before 06:00 hours on 01 October 2008; and~~

~~(ii) 25% in respect of Gas Years ending after 06:00 hours on 01 October 2008.~~

~~Notwithstanding the above, where the PS Forecast Annual Quantity is zero, the Commodity Percentage shall be 0%.~~

~~"**PS Forecast Annual Quantity$_t$**" means:~~

~~the sum of the Forecast Annual Quantities (as that term is defined in each Designated Pipe-line Operator's Respective Licence) in respect~~

~~of all PS Gas Suppliers for the relevant Gas Year "t"; and~~

~~**"PSFRR$_t$"** means the PS Forecast Required Revenue for Gas Year "t".~~

~~(b) A Monthly Postalised Commodity Payment shall be calculated in accordance with the following formula in respect of gas allocated to each Gas Supplier for Exit in respect of the previous month, the components of which shall be applied in respect of month ("m") in Gas Year "t" and shall be payable by a Gas Supplier "s":~~

~~$MPComP_{sm} = FPComC_t \times MEQ_{sm}$~~

~~where~~

~~$MPComP_{sm}$ means the Monthly Postalised Commodity Payment payable by a Gas Supplier "s" in respect of month "m" of Gas Year "t";~~

~~$FPComC_t$ means the Forecast Postalised Commodity Charge applicable in respect of Gas Year "t" in accordance with 2A.2.5.1(a); and~~

~~MEQ_{sm} means the Exit Quantity allocated to Gas Supplier "s" in respect of an Exit Point and in respect of month "m".~~

~~(c) If the aggregate of the Monthly Postalised Commodity Payments invoiced or to be invoiced to a Gas Supplier "s" in respect of a Gas Year "t" ($\Sigma MPComP_{st}$) is less than the product of FPComC multiplied by the Minimum Quantity Value in respect of Gas Year "t" for Gas Supplier "s" the Licensee shall invoice to Gas Supplier "s" in accordance with the provisions of this Licence, an Auxiliary Payment calculated by the Licensee as follows:~~

~~$(FPComC_t \times \text{Minimum Quantity Value}_{st}) - \Sigma MPComP_{st}$~~

~~Such Auxiliary Payments shall be included in the invoice for PS Transmission Payments applicable for the last month in Gas Year "t"~~

~~(d) The Forecast Postalised Commodity Charge invoiced to a Gas Supplier "s"~~

~~in respect of Gas Year "t" or month "m" of Gas Year "t" calculated in accordance with Condition 2A.2.5.1(a) shall be rounded to seven [7] decimal places.~~

~~**2A.2.5.2 Forecast Postalised Capacity Charge**~~

~~(a) Subject to Conditions 2A2.5.3, 2A.2.5.4 and 2A.2.8, the Forecast Postalised Capacity Charge to be charged to each Gas Supplier in respect of each kWh/day of Firm Capacity in respect of a Gas Year shall be calculated in accordance with the following formula:~~

$$\cancel{FPCapC_t = \frac{PSFRR_t * \text{Capacity Percentage}}{\text{PS Initial Firm Capacity}_t}}$$

~~where:~~

~~"**FPCapC**" means the Forecast Postalised Capacity Charge; and~~

~~"**Capacity Percentage**" means:~~

~~(i) 50% in respect of Gas Years ending on or before 06:00 hours on 01 October 2008; and~~

~~(ii) 75% in respect of Gas Years ending after 06:00 hours on 01 October 2008.~~

~~Notwithstanding the above, where the PS Forecast Annual Quantity is zero, the Capacity Percentage shall be 100%.~~

~~"**PS Initial Firm Capacity$_t$**" means:~~

~~the sum of the Initial Firm Capacity (as that term is defined in each Designated Pipe-line Operator's Respective Licence) held by PS Gas Suppliers for the relevant Gas Year "t".~~

~~"**PSFRR$_t$**" means the PS Forecast Required Revenue for Gas Year "t".~~

~~(b) A Monthly Postalised Capacity Payment shall be calculated in accordance with the following formula in respect of the Firm Capacity held by each Gas~~

~~Supplier, the components of which shall be applied in respect of month "m" in Gas Year "t"and shall be payable by a Gas Supplier "s":~~

$$\cancel{MPCapP_s = \frac{FPCapC_t}{12} \times FC_s}$$

~~where~~

~~$MPCapP_s$ means the Monthly Postalised Capacity Payment payable by a Gas Supplier "s" in respect of month "m" of Gas Year "t";~~

~~$FPCapC_t$ means the Forecast Postalised Capacity Charge applicable in respect of Gas Year "t" in accordance with 2A.2.5.2(a); and~~

~~FC_s means the Firm Capacity held by a Gas Supplier "s" in respect of Gas Year "t".~~

~~(c) The Forecast Postalised Capacity Charge invoiced to a Gas Supplier "s" in respect of Gas Year "t" or month "m" of Gas Year "t" calculated in accordance with Condition 2A.2.5.2(a) shall be rounded to five [5] decimal places~~

~~**2A.2.5.3 Emergency Events**~~

~~If at any point in the period from the date of provision of the Forecast Figures for the next Gas Year referred to in Condition 2A.2.3.1 to the start of the next Gas Year an unforeseen event occurs which the Authority believes is likely materially to affect the Forecast Figures for that next Gas Year the Authority may at its discretion by notice to the Licensee and the PSA adjust the Forecast Figures in respect of such next Gas Year to reflect the effect of such event. The Forecast Postalised Charges for such next Gas Year shall be calculated by the PSA in accordance with such adjusted figures.~~

~~**2A.2.5.4 Amendment to Forecast Postalised Charges**~~

~~If at any date during any Gas Year ("Relevant Charge Date") the Department issues a Designation Order, or if any Designated Pipe-line Operator ceases to be a Designated Pipe-line Operator, unless the Authority determines otherwise:~~

~~(a) the Forecast Postalised Charges shall be recalculated with effect from the Relevant Charge Date; and~~

~~(b) the Year-End Postalised Charges shall be calculated in respect of the period up to the Relevant Charge Date and the period following the Relevant Charge Date~~

~~in each case as determined by the Authority so that an appropriate proportion only of the Forecast Required Revenue of the relevant Designated Pipe-line Operator (as defined in that Designated Pipe-line Operator's Respective Licence) shall be taken into account before and after the Relevant Charge Date and such adjustments as the Authority considers appropriate shall be made to the PS Forecast Annual Quantity, PS Annual Exit Quantity, PS Initial Firm Capacity, PS Forecast Required Revenue, and PS Actual Firm Capacity, and notified to the Designated Pipe-Line Operators and the PSA.~~

~~2A.2.6 Year-End Postalised Charges~~

~~The Year-End Postalised Charges shall comprise a Year-End Postalised Commodity Charge calculated in accordance with Condition 2A.2.6.1 and a Year-End Postalised Capacity Charge calculated in accordance with Condition 2A.2.6.2 in each case calculated by the PSA. In addition, where one or more Gas Suppliers is or are subject to a commitment to make a Supplemental Payment the Licensee shall comply with Condition 2A.2.6.4.~~

~~2A.2.6.1~~ **~~Year-End Postalised Commodity Charge~~**

~~The Year-End Postalised Commodity Charge in respect of each kWh of gas allocated to each Gas Supplier under the Network Code in respect of each Exit Point on each day during a Gas Year "t" shall be calculated as determined in accordance with the following formula, the components of which shall be in relation to Gas Year "t":~~

$$\cancel{YEPComC_t = \frac{((PSARR_t - T_t) * \text{Commodity Percentage}) - \text{Supplemental Payments}_t)}{\text{PS Annual Exit Quantity}_t}}$$

where:

$YEPComC_t$ means the Year-End Postalised Commodity Charge for Gas Year "t";

$PSARR_t$ means the PS Actual Required Revenue in respect of Gas Year "t";

T_t means any Termination Payments payable in respect of PS Transmission Payments relating to Gas Year "t";

"PS Annual Exit Quantity$_t$" means:

the sum of the Annual Exit Quantities (as that term is defined in each Designated Pipe-line Operator's Respective Licence) for the relevant gas year "t".

Notwithstanding the provisions of Condition 2A.2.5.1, where the PS Annual Exit Quantity is zero, the Commodity Percentage shall be 0%.

2A.2.6.2 Year-End Postalised Capacity Charge

The Year-End Postalised Capacity Charge in respect of each kWh/day of Firm Capacity held by each Gas Supplier for Exit from any part of the Designated Network during a Gas Year "t" shall be determined in accordance with the following formula:

$$YEPCapC_t = \frac{(PSARR_t - T_t)* \text{Capacity Percentage}}{\text{PS Actual Firm Capacity}_t}$$

where:

"$YEPCapC_t$" means the Year-End Postalised Capacity Charge for Gas Year "t";

$PSARR_t$ = the PS Actual Required Revenue in respect of Gas Year "t";

T_t means any Termination Payments payable in respect of PS Transmission Payments relating to Gas Year "t";

"PS Actual Firm Capacity$_t$" means the sum of the Actual Firm Capacity (as that term is defined in each Designated Pipeline Operator's Respective Licence) held in a Gas Year by all PS Gas Suppliers.

~~Notwithstanding the provisions of Condition 2A.2.5.2, where the PS Annual Exit Quantity is zero, the Capacity Percentage shall be 100%.~~

~~2A.2.6.3 Reconciliation Payments~~

~~(a) A Capacity Reconciliation Payment shall be calculated in respect of each Gas Supplier in accordance with the following formula (which, together with the formula contained in Condition 2A.2.6.3(b) below, shall be referred to as the "Reconciliation Payment Formulae") and shall be payable by a Gas Supplier "s" if a positive value, and payable to Gas Supplier "s" if a negative value:~~

$$CapRP_{st} = (YEPCapC_t - FPCapC_t) \times GS\ Firm\ Capacity_{st}$$

~~where:~~

~~"**$CapRP_{st}$**" means the Capacity Reconciliation Payment payable by or to Gas Supplier "s" in respect of Gas Year "t";~~

~~"**$YEPCapC_t$**" means the Year-End Postalised Capacity Charge applied in respect of Gas Year "t";~~

~~"**$FPCapC_t$**" means the Forecast Postalised Capacity Charge applied in respect of Gas Year "t"; and~~

~~"**$GS\ Firm\ Capacity_{st}$**" means the GS Firm Capacity held by a Gas Supplier "s" in respect of Gas Year "t",~~

~~(b) A Commodity Reconciliation Payment shall be calculated in respect of each Gas Supplier in accordance with the following formula and shall be due from a Gas Supplier "s" if a positive value, and shall be due to a Gas Supplier "s" if a negative value:~~

~~$ComRP_{st}$ = E or, in the event that E is a positive value, the lesser of E and the sum of 15% of $\Sigma MPComP_{st}$ plus 15% of any Auxiliary Payments invoiced to that Gas Supplier in accordance with Condition 2A.2.5.1(c)~~

~~where:~~

~~"**$ComRP_{st}$**" means the Commodity Reconciliation Payment payable by or to Gas Supplier "s" in respect of Gas Year "t";~~

~~$E = (YEPComC_t - FPComC_t) \times GS\ Annual\ Exit\ Quantity_{st}$;~~

~~"**$YEPComC_t$**" means the Year-End Postalised Commodity Charge applied in respect of Gas Year "t";~~

~~"**$FPComC_t$**" means the Forecast Postalised Commodity Charge applied in respect of Gas Year "t";~~

~~"**$GS\ Annual\ Exit\ Quantity_t$**" means the Exit Quantities of Gas Supplier "s" in respect of Gas Year "t"; and~~

~~"**$\Sigma MPComP_{st}$**" means the aggregate of the Monthly Postalised Commodity Payments invoiced to a Gas Supplier "s" in respect of a Gas Year "t"~~

~~2A.2.6.4 Where a Gas Supplier is subject to a commitment which gives rise to an obligation to make a Supplemental Payment in respect of any Gas Year the Licensee shall invoice the Gas Supplier promptly in accordance with the terms of the commitment and Condition 2A2.2.3 in respect of that Supplemental Payment and shall provide full details of the amount payable to the Authority, the PSA and the other Designated Pipe-line Operators.~~

~~**2A.2.7 Publication of Postalised Charges**~~

~~Subject to any contrary requirements in this Condition 2A, the Licensee shall publish in such form and manner as the Authority may direct:~~

~~(a) no later than 3 Business Days after notification to it by the PSA of the Forecast Postalised Charges, or revised Forecast Postalised Charges as calculated under Condition 2A.2.5.3, in respect of the next Gas Year and each of the following four Gas Years, a statement of such charges; and~~

~~(b) no later than 3 Business Days after notification to it by the PSA of the Year-End Postalised Charges in respect of a Gas Year, a statement of the Year-End Postalised Charges; and~~

(c) no later than 3 Business Days after notification to it by the Authority of any amendments to Forecast Postalised Charges required under Condition 2A.2.5.4, a statement of the amended charges.

2A.2.8 Forecast Postalised Charges for Gas Year commencing 01 October 2004

The Forecast Postalised Charges to be charged by the Licensee in respect of the Gas Year commencing 01 October 2004 shall be such charges as shall be calculated by the Authority by application of the Forecast Postalisation Formulae using such estimates and relevant information as may have been provided to the Authority or as the Authority otherwise deems appropriate, and notified to the Designated Pipe-Line Operators and the PSA.

Condition 2A.3 - Recovery of PS Non-Payments

2A.3.1 Invoicing of PS Transmission Payments

The Licensee shall issue all invoices, including appropriate VAT invoices to Gas Suppliers in respect of PS Transmission Payments promptly, accurately, and in accordance with the Network Code and the provisions of this Licence.

2A.3.2 PS Non-Payment and Recovery

In the event of a PS Non-Payment by a Gas Supplier, the Licensee shall:

(a) take all reasonable steps which a prudent network operator acting efficiently and in accordance with best industry practice would take to recover the amount of the PS Non-Payment,

(b) in accordance with the Terms of Reference:

(i) convene a first meeting of the Credit Committee within 10 Business Days of such PS Non-Payment and such further meetings as may be necessary or appropriate;

(ii) attend and participate in any meetings of the Credit Committee convened in connection with the PS Non-Payment; and

(iii) comply with any directions issued by the Credit Committee at any time in respect of any PS Non-Payment ("Directions");

(c) prior to the first meeting of the Credit Committee referred to in Condition 2A.3.2(b)(i) provide to all parties entitled to attend that meeting the following information (or as much of it as the Licensee is able to provide):

(i) full details of the PS Non-Payment(s) including the amount of each PS Non-Payment and the identity of the debtor;

(ii) full details of the security provided by the debtor in respect of PS Transmission Payments under the Network Code and, where applicable any steps taken or being taken to enforce it;

(iii) if desired, a draft of any Directions it believes appropriate for the Credit Committee to consider in respect of the PS Non-Payment(s);

(iv) all relevant information relating to any proceedings for the liquidation or winding up of the debtor, the making of an administration order or arrangement with any class of creditors, the appointment of an administrator or administrative receiver or receiver or any equivalent insolvency event;

(v) full details of the steps taken by the Licensee to recover the outstanding amounts with evidence supporting such details; and

(vi) a full explanation of the reasons why the Licensee has failed to recover the PS Non-Payment(s) at the relevant date;

provided that all such information shall be updated and resubmitted to the relevant parties by the Licensee prior to any further meetings of the Credit Committee which are convened after the first such meeting under Condition 2A.3.2(b)(i), in the event that such information becomes inaccurate with the passage of time; and

(d) notify the Designated Pipe-line Operators, the PSA and the Authority

~~promptly of any Recoveries received by it and transfer any such Recoveries into the PoT Account within 2 Business Days of such receipt.~~

~~2A.3.3 Non Payments by other Designated Pipe-line Operators' Suppliers~~

~~The Licensee may itself, or in common with other Designated Pipe-line Operators, convene a meeting of the Credit Committee in relation to any PS Non-Payments caused by a PS Gas Supplier failing to pay PS Transmission Payments invoiced by another Designated Pipe-Line Operator in the event that it believes that the Designated Pipe-line Operator from whose network the defaulting PS Gas Supplier exits gas has failed to convene the Credit Committee within the appropriate period following a PS Non-Payment, or is not fulfilling any Directions.~~

~~2A.3.4 Debt Payments~~

~~2A.3.4.1 The Licensee shall, not later than 5 Business Days before the Invoice Date occurring in the month following a Non-Payment Month, notify the PSA, all Designated Pipe-line Operators, all PS Gas Suppliers, and the Authority of the amount of any PS Non-Payment(s) caused by or relating to its Gas Suppliers arising in that Non-Payment Month which are still outstanding on such date.~~

~~2A.3.4.2 The Licensee shall invoice to all Gas Suppliers any Debt Payment or account to all Gas Suppliers in respect of any Debt Repayment, in each case in accordance with the Network Code and as detailed in any Debt Notice in order to give effect to Condition 2A.3.4.3 and shall provide to each Gas Supplier sufficient supporting information to enable it to verify the calculation of Debt Payment or Debt Repayment due from or to it.~~

~~2A.3.4.3 Each month "**m**", the Net Debt Position ("**NDP**") as at the Debt Notice Date will be calculated by the PSA as follows:~~

$$NDP_m = (A - B - C) + Z$$

~~Where:~~

~~A = as at the Debt Notice Date the PS Notified Debt;~~

~~B = as at the Debt Notice Date, the sum of all Debt Payments then paid or payable (including any interest accrued or accruing in respect of late payments) minus the sum of all Debt Repayments then paid or payable (including any interest accrued or accruing in respect of late payments);~~

~~C = as at the Debt Notice Date, the total value of all Recoveries received into the PoT Account, together with any interest paid on such Recoveries;~~

~~Z = the sum of all interest charges accrued in relation to NDP in previous months calculated in respect of each such previous month ("**pm**" and each such interest charge being "$\mathbf{I_{pm}}$") as:~~

~~$I_{pm} = NDP_{pm} \times r$~~

~~r =the interest rate from time to time calculated at the monthly equivalent rate of 0.75 plus the one month LIBOR rate, published five Business Days before the relevant Invoice Date.~~

~~(i) Where NDP is positive, a Debt Payment shall be invoiced to each Gas Supplier in respect of such positive figure. Such Debt Payment shall, in reference to Gas Supplier "s" be calculated by the PSA in accordance with the following method:~~

~~the Debt Payment payable by a Gas Supplier "s" in any month shall be equal to the lower of X and Y:~~

~~where:~~

~~X = the sum of 10% of the total amount payable by a Gas Supplier "s" in respect of the Total Monthly Payment invoiced in the month preceding the month in which the Debt Payment is to be invoiced (such earlier month being "m-1") and 100% of the amount payable to Gas Supplier(s) in respect of Reconciliation Payments in the~~

~~month in which the Debt Payment is to be invoiced.~~

$$Y = \frac{(NDP_m + I_m) \times (TMP_{sm-1})}{PSTMP_{m-1}}$$

~~where:~~

TMP_{sm-1} = ~~Total Monthly Payment, calculated as the sum of Monthly Postalised Payments plus any Auxiliary Payments, payable by a Gas Supplier "s" invoiced in the month preceding the month when the Debt Payment is invoiced ("m-1");~~

I_m = NDP_m x r; and

$PSTMP_{m-1}$ = ~~the aggregate of Total Monthly Payments payable by all PS Gas Suppliers invoiced in respect of the month preceding the month when the Debt Payment is invoiced ("m-1");~~

~~(ii) Where NDP is negative in respect of a month (month "m"), an amount (a "Debt Repayment") shall be payable by the Licensee to each relevant Gas Supplier (or former Gas supplier, as the case may be) in respect of any such negative figure. In reference to a Gas Supplier "s" a Debt Repayment shall be calculated by the PSA in accordance with the following formula (the "Debt Repayment Formula"):~~

$$\text{Debt Repayment to Gas Supplier "s"} = NDP \times \frac{ADP_s}{APSDP}$$

~~where:~~

"ADP_s" ~~means the aggregate Debt Payments payable by a Gas Supplier "s" over the Debt Payment Period;~~

~~"Debt Payment Period" means the last month preceding month "m" in which a Debt Payment was~~

~~payable by PS Gas Suppliers, or, if a Debt Payment has been payable by PS Gas Suppliers in respect of two or more consecutive months preceding month "m", the period of all such consecutive months preceding month "m".~~

~~"APSDP"~~ ~~means the aggregate of Debt Payments payable by PS Gas Suppliers during the Debt Payment Period.~~

~~Condition 2A.4 – The Postalisation System Administrator~~

~~2A.4.1 The PSA's primary obligations~~

~~2A.4.1.1 Subject to Condition 2A.4.1.2, unless the Authority otherwise directs or consents, the Licensee shall do all things within its power to:~~

~~(a) enter into, before such date as is appointed by the Authority; and~~

~~(b) be party at all times thereafter to~~

~~arrangements whereby a person who fulfils the criteria set out in Condition 2A.4.2 (referred to as the "Postalisation System Administrator" or "PSA") carries out the activities specified in Condition 2A.4.3 pursuant to an agreement between the PSA and the Designated Pipe-line Operators which fulfils the criteria referred to in Conditions 2A.4.3 and 2A.4.4 and has been and remains approved by the Authority (referred to as the "PSA Agreement").~~

~~2A.4.1.2 The Licensee shall only be entitled to terminate the PSA Agreement without the Authority's prior written consent if the PSA is or becomes insolvent; if the PSA, in the reasonable opinion of the Licensee, commits a material breach of the terms or warranties of the PSA Agreement; or if any approval given by the Authority under Condition 2A.4.2.2 expires or is revoked. Upon such termination the Licensee shall use its best endeavours promptly~~

~~to appoint a new PSA in accordance with this Condition 2A.4.~~

~~2A.4.1.3 Where written consent of the Authority is required to terminate the PSA Agreement and such consent is sought by the Licensee, such consent shall be deemed as having been given if the Authority has not sent written notice to the Licensee of its objection to such termination and the grounds for such objection within 4 weeks after its receipt of full written details of the proposed termination. The Licensee shall provide the Authority with any further relevant information requested during that four weeks.~~

~~2A.4.1.4 Unless the Authority otherwise consents, if the Licensee fails to enter into the arrangements referred to in Condition 2A.4.1.1 above by the date required by that Condition the Licensee shall use its best endeavours to enter into such arrangements as soon as possible thereafter.~~

~~**2A.4.2 Criteria for appointment of the PSA**~~

~~2A.4.2.1 The person fulfilling the functions of PSA from time to time pursuant to this Condition 2A.4 shall:~~

~~(a) be a competent, fit and proper person to fulfil the PSA Functions having the systems and controls in place to fulfil those functions; and~~

~~(b) have sufficient suitably qualified and skilled personnel to enable it to perform the PSA Functions.~~

~~2A.4.2.2 The criteria specified in Condition 2A.4.2.1 shall be treated as satisfied in respect of any appointment if the Licensee appoints as the PSA a person who at the time of appointment is a person approved by the Authority for the purposes of this Condition and if that approval has not expired or been revoked.~~

~~**2A.4.3 The PSA's functions**~~

~~2A.4.3.1 The PSA Agreement shall, in accordance with Condition 2A.4.1.1, impose on the PSA the following functions (referred to as the "PSA Functions"):~~

~~(a) the receipt from each of the Designated Pipe-line Operators of the~~

~~information to be submitted to the PSA pursuant to Condition 2A.2.3 of each Designated Pipe-line Operator's Respective Licence and the receipt from each of the Designated Pipe-line Operators of its Forecast Required Revenue for the coming Gas Year "t" and the following four Gas Years pursuant to its Respective Licence;~~

~~(b) the calculation of the relevant Forecast Postalised Charges for the next Gas Year and the following four Gas Years through application of the Forecast Postalisation Formulae and notification thereof to all Designated Pipe-line Operators in each case within 5 Business Days of receipt of the information specified in (a) above and in any event at least two Business Days before the first Business Day in August;~~

~~(c) the verification of payments into the PoT Account (to include keeping a record of all Debt Payments paid by each PS Gas Supplier in relation to particular PS Non-Payments) and prompt notification to Designated Pipe-line Operators of any PS Non-Payment and of any Recovery paid into the PoT Account;~~

~~(d) the calculation of any VAT Distributions due in respect of sums received into the PoT Account from PS Gas Suppliers on the date of calculation of the Monthly Distribution in the relevant month (month "m"), provided that where a sum is received from a PS Gas Supplier in respect of PS Transmission Payments and such sum is insufficient to meet both the PS Transmission Payments and VAT due on such PS Transmission Payments in full the PSA shall calculate the VAT element of the amount so received, calculated as;~~

$$\cancel{VAT_{Lm} = (VI_{Lm-1}/TI_{Lm-1}) \times TAR_{LGm}}$$

~~VAT_L~~	~~=~~	~~the aggregate amount of VAT Distributions for the relevant Designated Pipe-line Operator "L" for month "m"~~
~~VI_{Lm-1}~~	~~=~~	~~the sum of VAT amounts invoiced by the relevant Designated Pipe-line Operator "L" in the preceding~~

		~~month ("m-1")~~
~~TI_{Lm-1}~~	~~=~~	~~the sum of all amounts including VAT payable for PS Transmission Payments invoiced by the relevant Designated Pipe-line Operator "L" in the preceding month ("m-1")~~
~~TAR_{LGm}~~	~~=~~	~~the sum of all amounts received into the PoT Account from the relevant Designated Pipe-line Operator "L"'s PS Gas Suppliers in month "m" in respect of the amounts referred to in the definition of the term TI_{Lm-1} above.~~

~~(e) notification to the Designated Pipe-line Operators of any part or full settlement of PS Non-Payments by PS Gas Suppliers made on or before the Second Due Date in relation to such PS Non-Payments and the issue of directions to the Trustee to distribute such settlements payments according to Condition 2A.6.~~

~~(f) on the Debt Notice Date each month the calculation of the Net Debt Position and each Designated Pipe-line Operator's Debt Entitlement and, where applicable, any Debt Payment or Debt Repayment to be charged or credited to each PS Gas Supplier and the issue to Designated Pipe-line Operators and the Authority of a notice (a "Debt Notice") in relation to any such Debt Payment and/or Debt Repayment arising which shall contain:~~

~~(i) details of any PS Notified Debt and interest thereon and any Recovery to which such Debt Payments/Repayments relate;~~

~~(ii) details of the relevant Designated Pipe-line Operator's Debt Entitlement;~~

~~(iii) particulars of the Debt Payment or Debt Repayment to be charged or credited to each PS Gas Supplier;~~

~~(iv) sufficient information concerning the Total Monthly Payments and Auxiliary Payments in any period relevant to the calculation~~

~~of Debt Payment or Debt Repayment to permit verification of the calculations of Debt Payment or Debt Repayment in the Debt Notice.~~

~~(g) the calculation of the Year-End Postalised Charges and any Capacity Reconciliation Payments and Commodity Reconciliation Payments applicable to each PS Gas Supplier in accordance with the provisions of Condition 2A.2.6.3; and the notification of the results of all such calculations to all Designated Pipe-line Operators and to the Authority no later than the 1st Business Day in December after the end of each Gas Year;~~

~~(h) the calculation as soon as reasonably practicable, and within 5 Business Days of receipt of all relevant information in accordance with Condition 2A.6.1.3 of the Year-End Amount, if any, to be paid by or to each of the Designated Pipe-line Operators in respect of the previous Gas Year;~~

~~(i) the calculation of upstream tariffs as required under the terms of Designated Pipe-line Operators' licences and notification to the respective Designated Pipe-line Operator and the Authority, no later than the 17 Business Day in July;~~

~~(j) on or before the 5th Business Day following each Due Date the calculation in respect of each Designated Pipe-line Operator of the applicable Monthly Postalised Entitlements and Monthly Distributions in respect of the relevant month; and the issue of appropriate directions to the Trustee for the purpose of implementing Condition 2A.6 so that any such Monthly Distributions are made to Designated Pipe-line Operators as soon as possible and at least within 7 Business Days of the Due Date;~~

~~(k) calculation of any additional sums due by way of Monthly Distribution in respect of any sum received into the PoT Account after the issue of instructions to the Trustee in accordance with (j) above and before the next Debt Notice Date;~~

~~(l) following the end of each Gas Year, the calculation, recording and notification to the Authority and the Designated Pipe-Line Operators not~~

~~later than the 10th Business Day in December of the next Gas Year of the amount of any Commodity Reconciliation Payments which would have been payable by each PS Gas Supplier in respect of each Gas Year but for the application of the 15% $\Sigma MPComP_{st}$ cap contained in Condition 2A.2.6.3(b). Such amounts in respect of each Gas Year and each PS Gas Supplier shall be defined as the "Unrecovered Postalisation Payments" ("$UNRP_t$") and shall be calculated in accordance with the following formula:~~

$$UNRP_t = (YEPComC_t - FPComC_t) \times PS\text{-}Annual\ Exit\ Quantity_t - \Sigma ComRP_t$$

~~where $\Sigma ComRP_t$ is equal to all Commodity Reconciliation Payments as determined under Condition 2A.2.6.3 (b) in Gas Year "t"~~

~~(m) the re-calculation of the Forecast Postalised Charges as required under Condition 2A 2.5.3 within three Business Days of receipt of adjusted figures from the Authority.~~

~~(n) The division of any amounts in respect of Termination Payments received into the PoT Account:~~

~~(aa) between Designated Pipe-Line Operators where two or more Designated Pipe-line Operators have invoiced such payments to the same PS Gas Supplier in the same month, in proportion to the relevant invoices;~~

~~(bb) between that part of Termination Payments payable in respect of PS Transmission Charges relating to the Gas Year in which termination occurs and that part of Termination Payments related to future Gas Years, the allocation to be made in such a way that:~~

~~(i) Termination Payments shall be applied first in respect of sums due in respect of PS Transmission Charges in the Gas Year in which termination occurs; and~~

~~(ii) secondly, in respect of Termination Payments related to future Gas Years.~~

~~The PSA shall notify the Designated Pipe-line Operators of the sums allocated and issue directions to the Trustee to transfer the part of any such Termination Payment applicable to future Gas Years to the relevant Primary DPO in accordance with Condition 2A. 6.1.4.~~

~~**2A.4.4 PSA Agreement criteria**~~

~~2A.4.4.1 The PSA Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator or PS Gas Supplier and shall:~~

~~(a) require the PSA to fulfil the PSA Functions in a manner which is transparent and which does not unduly discriminate as between Designated Pipe-line Operators or PS Gas Suppliers;~~

~~(b) require the PSA to institute appropriate arrangements and procedures to enable the PSA to fulfil the PSA Functions in an efficient and economic manner;~~

~~(c) make provision for the modification of the PSA Agreement, in the following circumstances only:~~

~~i. with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the PSA Agreement of its objection to such modification and the grounds for such objection within 4 weeks of its receipt of full written details of the proposed modification, together with any further relevant information requested by the Authority); or~~

~~ii. in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence, following consultation with the Designated Pipe-line Operators;~~

~~(d) provide for its termination in the event that any approval granted by the Authority pursuant to Condition 2A.4.2.2 is revoked;~~

~~(e) require the PSA to co-operate with the Authority including without limitation by the sharing of information, both generally and to enable the Authority as far as is reasonably practicable to monitor whether the PSA is continuing to fulfil the PSA Functions in an efficient and economic manner;~~

(f) require the PSA to perform its functions promptly and diligently with reasonable skill and care, and in conformity with all applicable laws, rules and regulations;

(g) require the PSA to perform all calculations in accordance with any financial model approved by the Authority from time to time following consultation by the Authority with the Designated Pipe-Line Operators;

(h) require the Licensee to co-operate with the PSA, such co-operation to include but not be limited to providing the PSA and other Designated Pipe-line Operators with such information as is at the Licensee's disposal and which would facilitate the operation of the system of postalised charges in respect of the Postalised System, provided that the Licensee shall not be required to provide to another Designated Pipe-line Operator confidential information, the provision of which would, or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator; and

i. subject to Condition 2A.4.1.2 provide that, except with the consent of the Authority, the Licensee shall not terminate the PSA Agreement until such time as a new PSA has been appointed under a PSA Agreement conforming with all the requirements under this Condition 2A.4.

2A.4.5 Licensee's obligations in relation to the PSA

2A.4.5.1 The Licensee shall:

(a) promptly after becoming aware thereof, notify the Authority of any material or persistent breach of any obligation by any party under the PSA Agreement;

(b) take all reasonable steps to enforce the obligations of the parties to the PSA Agreement whenever required, or whenever so directed by the Authority by written notice, and in accordance with the terms of the direction;

(c) not knowingly waive any right under the PSA Agreement without the prior

~~written consent of the Authority;~~

~~(d) comply with its obligations under the PSA Agreement;~~

~~(e) exercise its rights to terminate the PSA Agreement whenever directed by the Authority by written notice;~~

~~(f) immediately notify the Authority if any party to the PSA Agreement, terminates or gives notice to terminate the PSA Agreement;~~

~~(g) use its reasonable endeavours to procure that the PSA performs its functions promptly and diligently, with reasonable skill and care, and in conformity with all applicable laws, rules and regulations and in accordance with generally accepted best accounting practice; and~~

~~(h) provide the PSA promptly with any information it requires to perform the PSA Functions including copies of all PS Transmission Payment invoices as soon as reasonably practicable, and is at the Licensee's disposal and which would facilitate operation of the system of postalised charges in respect of the Postalised System.~~

~~Condition 2A.5 – The Trustee~~

~~2A.5.1 The Trustee's and Account Bank's primary obligations~~

~~2A.5.1.1 Subject to Condition 2A.5.1.2, unless the Authority otherwise directs or consents, the Licensee shall do all things within its power to:~~

~~(a) enter into, before such date as is appointed by the Authority; and~~

~~(b) be party at all times thereafter to arrangements whereby~~

~~(i) a person who fulfils the criteria set out in Condition 2A.5.2.1 (referred to as the "Trustee") carries out the activities specified in Condition 2A.5.3 pursuant to an agreement between the Trustee and the Designated Pipe-line Operators which fulfils the criteria referred to in Condition 2A.5.3 and 2A.5.4 (referred to as the "Trust and Account Bank Agreement") and which has been and remains approved by the~~

~~Authority; and~~

~~(ii) a person who fulfils the criteria set out in Condition 2A.5.2.2. (referred to as the "Account Bank") provides an account for use as the PoT Account pursuant to the Trust and Account Bank Agreement and which has been and remains approved by the Authority.~~

~~2A.5.1.2 The Licensee shall only be entitled to terminate the Trust and Account Bank Agreement without the Authority's prior written consent if the Trustee and/or the Account Bank is or becomes insolvent; if in the reasonable opinion of the Designated Pipe-Line Operators, the Trustee and/or the Account Bank commits a material breach of the terms or warranties of the Trust and Account Bank Agreement; or if any approval given by the Authority under Condition 2A.5.2.3 expires or is revoked.~~

~~2A.5.1.3 Unless the Authority otherwise consents if the Licensee fails to enter into the arrangements referred to in Condition 2A.5.1.1 above by the date required by that Condition the Licensee shall use its best endeavours to enter into such arrangements as soon as possible thereafter.~~

~~**2A.5.2 Criteria for appointment of the Trustee**~~

~~2A.5.2.1 The person fulfilling the functions of Trustee from time to time pursuant to this Condition 2A.5 shall:~~

~~(a) be a competent, fit and proper person to fulfil the Trustee Functions having the systems and controls in place to fulfil those functions; and~~

~~(b) have sufficient suitably qualified and skilled personnel to enable it to perform the Trustee Functions.~~

~~2A.5.2.2 The person fulfilling the functions of Account Bank from time to time pursuant to this Condition 2A.5 shall:~~

~~(a) be a competent, fit and proper person to provide and administer the PoT Account having the systems and controls in place to fulfil those functions; and~~

~~(b) have sufficient suitably qualified and skilled personnel to enable it to provide and administer the PoT Account.~~

~~2A.5.2.3 The criteria specified in Conditions 2A.5.2.1 and 2A.5.2.2 shall be treated as satisfied in respect of any appointment if the Licensee appoints as the Trustee and/or the Account Bank, as appropriate, a person who at the time of appointment is a person approved by the Authority for the purposes of this Condition and if that approval has not expired or been revoked.~~

~~**2A.5.3 The Trustee's functions**~~

~~2A.5.3.1 The Trust and Account Bank Agreement shall, in accordance with Condition 2A.5.1.1, impose on the Trustee the following functions (referred to as the "Trustee Functions"):~~

~~(a)~~

~~the maintenance of a bank account (the "PoT Account") into which all monies paid by PS Gas Suppliers in respect of PS Transmission Payments shall be received, held on trust for and distributed to the Licensee and the other Designated Pipe-line Operators at the intervals and in accordance with the instructions of the PSA;~~

~~(b) the receipt into the PoT Account and holding on trust of all monies paid by PS Gas Suppliers in discharge of PS Transmission Payments;~~

~~(c) the distribution of monies from the PoT Account on the instructions of the PSA; and~~

~~(d) providing the PSA promptly with any details concerning payments into and from the PoT Account as it may require at any time.~~

~~**2A.5.4 Trust and Account Bank Agreement criteria**~~

~~2A.5.4.1 The Trust and Account Bank Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator and shall:~~

~~(a) require the Trustee to fulfil the Trustee Functions in a manner which is transparent and which does not unduly discriminate as between Designated Pipe-line Operators;~~

~~(b) require the Trustee to institute appropriate arrangements and procedures to enable the Trustee to fulfil the Trustee Functions in an efficient and economic manner;~~

~~(c) make provision for the modification of the Trust and Account Bank Agreement, in the following circumstances only:~~

~~i. with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the Trust and Account Bank Agreement of its objection to such modification and the grounds for such objection within 4 weeks of its receipt of full written details of the proposed~~

~~modification); or~~

~~ii. in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence following consultation with the Designated Pipe-line Operators;~~

~~(d) provide for its termination in the event that any approval granted by the Authority pursuant to Condition 2A.5.2.3 is revoked;~~

~~(e) require the Trustee to co-operate with the Authority including without limitation by the sharing of information, both generally and to enable the Authority as far as is reasonably practicable to monitor whether the Trustee is continuing to fulfil the Trustee Functions;~~

~~(f) require the Trustee to perform its functions promptly and diligently with reasonable skill and care, and in conformity with all applicable laws, rules and regulations;~~

~~(g) require the Licensee to co-operate with the Trustee: such co-operation shall include but not be limited to providing the Trustee and other Designated Pipe-line Operators with such information as is at the Licensee's disposal which would facilitate the operation of the system of postalised charges in respect of the Postalised System provided that the Licensee shall not be required to provide to another Designated Pipe-line Operator confidential information, the provision of which would, or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator;~~

~~(h) subject to Condition 2A.5.1.2, provide that, except with the consent of the Authority, the Licensee shall not terminate the Trust and Bank Agreement until such time as a new Trustee has been appointed under a Trust and Bank Agreement conforming with all the requirements under this Condition 2A.5; and~~

~~i. require the parties thereto to ensure at all times that the terms and conditions of the Trust and Account Bank Agreement comply with the terms of the Licence.~~

~~**2A.5.5 Licensee's obligations in relation to the Trustee**~~

~~2A.5.5.1 The Licensee shall:~~

~~(a) promptly after becoming aware thereof notify the Authority of any material or persistent breach of any obligation by any party under the Trust and Account Bank Agreement;~~

~~(b) take all reasonable steps to enforce the obligations of the parties to the Trust and Account Bank Agreement whenever required, or whenever so directed by the Authority by written notice, and in accordance with the terms of the direction;~~

~~(c) not knowingly waive any right under the Trust and Account Bank Agreement without the prior written consent of the Authority;~~

~~(d) comply with its obligations under the Trust and Account Bank Agreement;~~

~~(e) exercise its rights to terminate the Trust and Account Bank Agreement whenever directed by the Authority by written notice;~~

~~(f) immediately notify the Authority if any party to the Trust and Account Bank Agreement, terminates or gives notice to terminate the Trust and Account Bank Agreement; and~~

~~(g) use its reasonable endeavours to procure that the Trustee performs its functions promptly and diligently, with reasonable skill and care, and in conformity with all applicable laws, rules and regulations.~~

~~Condition 2A.6 – Distributions from the PoT Account and Designated Pipe-line Operators Agreement~~

~~2A.6.1 PoT Account Calculations – Entitlements, Distributions and Payments~~

~~2A.6.1.1 The following shall be calculated in accordance with the provisions of this Condition 2A.6.1:~~

~~(a) the monthly entitlement of the Licensee to sums from the PoT Account calculated on the basis of amounts receivable in respect of Monthly Postalised Payments, Auxiliary Payments, Termination Payments and Debt Payments;~~

~~(b) the Year-End Amount if any due to or from the Licensee; and~~

~~(c) the amount to be distributed to the Licensee from the PoT Account on a monthly basis in respect of (a) and (b) above.~~

~~2A.6.1.2 Monthly Entitlements~~

~~(a) Monthly Postalised Entitlement~~

~~The Monthly Postalised Entitlement ("MPE_{Lm}") of Licensee "L" in respect of a month "m" shall be the lower of the following:~~

~~(i) $(TMPT_m + DPI_m) \times \frac{FRR_{Lt}}{PSFRR_t}$~~

~~and~~

~~(ii) $FRR_{Lt} + ADPI_{Lt} - AMPE_{Lt}$~~

~~Where:~~

~~$TMPT_m$ = the aggregate (excluding any VAT on all such amounts) of:~~

~~(aa) all Monthly Postalised Payments payable into the PoT Account, which:~~

~~(1) have their Due Date falling in month "m"; and~~

~~(2) are payable in respect of Postalised System transmission services provided in month "m-2", being the month in which gas flowed and the invoice for which was issued in month "m-1"; plus~~

~~(bb) any Auxiliary Payments payable into the PoT Account which have their Due Date falling in month "m" and are payable in respect of the Gas Year "t" in which month "m-2" falls;~~

~~(cc) any Termination Payments payable in respect of PS Transmission Payments relating to Gas Year "t" in which month "m-2" falls received into the PoT Account in month "m".~~

~~FRR_{Lt} = the Licensee's Forecast Required Revenue in respect of the Gas Year "t" in which month "m-2" falls;~~

~~PSFRRt = PS Forecast Required Revenue in respect of the Gas Year "t" in which month "m-2" falls;~~

~~AMPELt = the aggregate Monthly Postalised Entitlements of the Licensee in respect of prior months in the Gas Year "t" in which month "m-2" falls;~~

~~DPIm = any interest paid on payments relating to Total Monthly Payments in month "m" received after the Due Date and before or on the Second Due Date; and~~

~~$ADPI_{Lt} = \sum DPI_{mt} \times \frac{FRR_{Lt}}{PSFRR_t}$~~

~~(b) **Debt Entitlement**~~

~~The Debt Entitlement ("DE_L") of Licensee "L" calculated on a rolling monthly basis shall be its proportionate entitlement to Debt Payments, comprising:~~

~~(i) its entitlement to outstanding Total Monthly Payments for services provided during a Gas Year and outstanding Debt Payments representing unpaid Total Monthly Payments relating to that Gas Year, in each case calculated by reference to the Licensee's Forecast Required Revenue as a proportion of PS Forecast Required Revenue; plus~~

~~(ii) its entitlement to debt incurred in respect of Year-End Amounts calculated by reference to the Licensee's Year-End Amounts due to it as a proportion of the sum of all PS Year-End Amounts that are positive.~~

~~calculated as:~~

~~$DE_L = [(Shortfall_L - DPE_L)/(PSShortfall - PSDPE)]* (DP_m + DPID)$~~

~~where:~~

~~DPE_L =the aggregate of all Debt Entitlements of the Licensee in respect of previous months excluding the interest element, Z.~~

~~PSDPE =the aggregate of all Debt Entitlement amounts for all Designated Pipe-line Operators under their Respective Licences in respect of previous months excluding the interest element, Z.~~

~~$Shortfall_L = AE_L - AD_L$ in all previous months in Gas Years commencing on or after the Designation Date in respect of each Designated Pipe-line Operator;~~

~~PSShortfall =the aggregate all Shortfall amounts for all Designated Pipe-line Operators under their Respective Licence;.~~

~~AE_L =the aggregate of all entitlement amounts for the Licensee in respect of all previous months in Gas Years commencing on or after the Designation Date.~~

~~AD_L =the aggregate of all distribution amounts for the Licensee in respect of all previous months in Gas Years commencing on or after the Designation Date.~~

~~DP_m =the total charges payable by PS Gas Suppliers due in month "m" in respect of PS Notified Debt as contemplated by Condition 2A.3.4.1 and as detailed in the applicable Debt Notice;~~

~~$DPID_m$ =Any interest paid on payments relating to Debt Payments in month "m" received after the Due Date and before or on the Second Due Date.~~

~~(c) **Termination Entitlement**~~

~~The Termination Entitlement ("TE_L") of Licensee "L" in relation to Termination Payments received into the PoT Account from Gas Suppliers to which the Licensee is the Primary DPO, with respect to future Gas Years as calculated by the PSA according to Condition 2A.4.3.1(n).~~

~~**2A.6.1.3 Year-End Amounts – Calculation of Entitlement/Obligation**~~

~~(a) A year-end amount ("Year-End Amount" or "YEA_{Lt}") in respect of that Gas Year shall be calculated in accordance with the following formula, in relation to which if YEA_{Lt} is a negative figure, the Licensee shall be obliged to make payment into the PoT Account of the amount of such figure within 25 Business Days of the date that it receives notice from the PSA of the relevant amount, and if YEA_{Lt} is a positive figure, the Licensee shall be entitled to receive the amount of the Year-End Amount from the PoT Account:~~

$$YEA_{Lt} = \frac{(ARR_{Lt} \times (PSTMPT_t + \sum DPI_{mt} + RP_{Total} + DPIR_t)) - AMPE_{Lt}}{PSARR_t}$$

~~Where:~~

~~YEA_{Lt} = Year-End Amount in respect of Gas Year "t" and Licensee "L";~~

~~ARR_{Lt} = the Licensee's Actual Required Revenue in respect of Gas Year "t";~~

~~$PSARR_t$ = the PS Actual Required Revenue in respect of Gas Year "t";~~

~~$PSTMPT_t$ = the aggregate of $TMPT_m$ as calculated in Condition2A.6.1.2 (a) in respect of all the months falling within Gas Year "t";~~

~~RP_{Total} = the aggregate of all Capacity Reconciliation Payments and Commodity Reconciliation Payments, each in respect of Gas Year "t" and receivable from PS Gas Suppliers; and~~

~~$AMPE_{Lt}$ = the aggregate of Monthly Postalised Entitlements of the Licensee in respect of Gas Year "t".~~

~~$DPIR_t$ = any interest paid on payments relating to Reconciliation Payments received after the Due Date and before or on the Second Due Date falling in month "m".~~

~~ΣDPI_{mt} = the aggregate amount of interest paid on payments relating to Total Monthly Payments for Gas Year "t" payable in any month "m" received after the Due Date and before or on the Second Due Date.~~

~~2A.6.1.4 Monthly Distributions~~

~~The amount of the distribution to be made to the Licensee from the PoT Account in any month (the "Monthly Distribution") shall be calculated by the PSA on the basis of the balance of monies in the PoT Account, net of any amounts in the PoT account as a result of any requirement to maintain a minimum account balance~~

~~and any interest earned on the PoT account balance, on the date of calculation of the Monthly Distribution in the relevant month (month "m") (such balance of monies on the PoT Account at that date being referred to below as "W"). The Licensee shall be entitled to receive by way of Monthly Distribution an amount equal to the sum of each of $DA1_L$, $DA2_L$, $DA3_L$, $DA4_L$, $DA5_L$ and $DA6_L$ calculated as follows:~~

~~(a) **VAT Distributions**~~

~~$DA1_L = VAT_L$~~

~~where:~~

~~VAT_L = the aggregate amount of VAT Distributions for the Licensee as calculated by the PSA according to Condition 2A4.3.1 (d)~~

~~(b) **Distribution to enable Licensee to fulfil obligation to reimburse Gas Suppliers**~~

~~Where the Licensee is obliged to reimburse any sum to one or more of its Gas Suppliers in accordance with this Part 2A of the Licence and the Network Code then $DA2_L$ shall be a sum equal to GSR provided that if no such payment is payable by the Licensee to any of its Gas Suppliers in the relevant month $DA2_L$ shall be zero.~~

~~Where:~~

~~GSR = the aggregate amounts that the Licensee is required to reimburse to its Gas Suppliers in relation to PS Transmission Payments in accordance with this Part 2A of the Licence and the Network Code;~~

~~(c) **Year-End Amount Distributions**~~

~~In the month following a month in which Reconciliation Payments have been invoiced to one or more PS Gas Suppliers a distribution in respect of Year-End Entitlement $DA3_L$ shall be calculated as follows:~~

~~(i) If W – PSDA1 – PSDA2 ≥ PSYEA~~

~~then $DA3_L$ shall be a sum equal to YEA_{Lt}; or~~

~~(ii) If W – PSDA1 – PSDA2 < PSYEA~~

~~then $DA3_L$ shall be calculated as follows:~~

$$DA3_L = (W - PSDA1 - PSDA2) \times \frac{YEA_{Lt}}{PSYEA}$$

~~Provided that if YEA_L is a negative figure then $DA3_L$ shall be zero.~~

~~where:~~

~~W = the balance of monies in the PoT Account, net of any amounts in the PoT Account as a result of any requirement to maintain a minimum account balance and any interest earned on the PoT Account balance~~

~~PSDA1 = the aggregate of all $DA1_L$ figures for all Designated Pipe-line Operators under their Respective Licence for month "m";~~

~~PSDA2 = the aggregate of all $DA2_L$ figures for all Designated Pipe-line Operators under their Respective Licences for month "m";~~

~~YEA_{Lt} = the Year-End Amount calculated in accordance with Condition 2A.6.1.3;~~

~~PSYEA = the aggregate of all positive Year-End Amounts for all Designated Pipe-line Operators under their Respective Licences;~~

~~(d) **Monthly Postalisation Distributions**~~

~~(i) If W – PSDA1 – PSDA2 – PSDA3 ≥ PSMPE~~

~~then $DA4_L$ shall be an amount equal to MPE_L; or~~

~~(ii) If W – PSDA1 – PSDA2 – PSDA3 < PSMPE~~

then $DA4_L$ shall be calculated as follows:

$$DA4_L = \frac{(W - PSDA1 - PSDA2 - PSDA3) \times MPE_{Lm}}{PSMPE}$$

where:

PSDA1 = the aggregate of all $DA1_L$ figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

PSDA2 = the aggregate of all DA2L figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

PSDA3 = the aggregate of all DA3L figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

MPELm = the Monthly Postalised Entitlement of the Licensee calculated in accordance with Condition 2A.6.1.2(a) above;

PSMPE = the aggregate of all Monthly Postalised Entitlement figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

(e) **Termination Distributions**

(i) If W - PSDA1 - PSDA2 - PSDA3 - PSDA4 ≥ PSTE

then $DA5_L$ shall be a sum equal to TE_L; or

(ii) If W – PSDA1 – PSDA2 – PSDA3 - PSDA4 < PSTE

then $DA5_L$ shall be calculated as follows:

$$DA5_L = \frac{(W - PSDA1 - PSDA2 - PSDA3 - PSDA4) \times TE_{Lm}}{PSTE}$$

where:

PSDA1 = the aggregate of all $DA1_L$ figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

PSDA2 = the aggregate of all $DA2_L$ figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

PSDA3 = the aggregate of all $DA3_L$ figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

PSDA4 = the aggregate of all $DA4_L$ figures for all Designated Pipe-line Operators under their Respective Licences for month "m";

TE_{Lm} = the amount, if any, payable to the Licensee in respect of Termination Payments received into the PoT Account under the Network Code in month "m" which relate to Gas Years after the Gas Year in which termination occurs as calculated by the PSA under Condition 2A4.3.1 (n); and

PSTE = the aggregate of all TE_{Lm} figures for all Designated Pipe-line Operators under their Respective Licences for month "m".

(f) **Monthly Debt Payment Distributions**

(i) If W – PSDA1 – PSDA2 – PSDA3 – PSDA4- PSDA5 ≥ PSDE

then $DA6_L$ shall be a sum equal to DE_L; or

(ii) If W – PSDA1 – PSDA2 – PSDA3 – PSDA4 – PSDA5 < PSDE

then $DA6_L$ shall be calculated as follows:

$$DA6_L = (W - PSDA1 - PSDA2 - PSDA3 - PSDA4 - PSDA5) \times \frac{DE_{Lm}}{PSDE}$$

where:

PSDA1 = the aggregate of all $DA1_L$ figures for all Designated Pipe-line Operators under their Respective Licence for month "m";

~~PSDA2 = the aggregate of all $DA2_L$ figures for all Designated Pipe-line Operators under their Respective Licence for month "m";~~

~~PSDA3 = the aggregate of all $DA3_L$ figures for all Designated Pipe-line Operators under their Respective Licences for month "m";~~

~~PSDA4 = the aggregate of all $DA4_L$ figures for all Designated Pipe-line Operators under their Respective Licences for month "m";~~

~~PSDA5 = the aggregate of all $DA5_L$ figures for all Designated Pipe-line Operators under their Respective Licences for month "m";~~

~~DE_{Lm} = the Debt Entitlement of the Licensee "L" for month "m" calculated in accordance with Condition 2A.6.1.2(b) above;~~

~~PSDE = the aggregate of all Debt Entitlement figures for all Designated Pipe-line Operators under their Respective Licences for month "m";~~

~~2A.6.2 Inter-Designated Pipeline Operators Provisions~~

~~2A.6.2.1 Designated Pipe-line Operators Agreement~~

~~Unless the Authority otherwise consents, the Licensee shall on or before a date appointed by the Authority enter into and be a party at all times thereafter to a binding agreement with the other Designated Pipe-line Operators which complies with the criteria specified in Condition 2A.6.2.2 and which is in a form approved in advance by the Authority pursuant to which it will:~~

~~(a) act together with the other Designated Pipe-line Operators to appoint and re-appoint the PSA from time to time;~~

~~(b) establish the PoT Account and appoint and re-appoint the Trustee and/or the Account Bank from time to time;~~

~~(c) in conjunction with other Designated Pipe-line Operators, enforce the PSA Agreement and the Trust and Account Bank Agreement; and~~

~~(d) undertake to the other Designated Pipe-line Operators (in consideration of~~

~~equivalent undertakings) to issue invoices promptly and accurately, and to give effect to common payment terms and credit arrangements,~~

~~and which will contain such other provisions for the efficient operation of a system of PS Transmission Payments as the Designated Pipe-line Operators may agree and the Authority may approve (the "Designated Pipe-line Operators Agreement").~~

~~2A.6.2.2 Designated Pipe-line Operators' Agreement Criteria~~

~~(a) The Designated Pipe-line Operators' Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator or PS Gas Supplier and shall:~~

~~(i) ensure the PSA, the Trustee and the Account Bank institute appropriate arrangements and procedures to enable the PSA to fulfil the PSA Functions and the Trustee to fulfil the Trustee Functions in an efficient and economic manner;~~

~~(ii) make provision for the modification of the Designated Pipe-line Operators Agreement in the following circumstances only:~~

~~(aa) with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the Designated Pipe-line Operators Agreement of its objection to such modification and the grounds for such objection within 8 weeks of its receipt of full written details of the proposed modification); and~~

~~(bb) in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence, following consultation with the Designated Pipe-line Operators.~~

~~(b) The Designated Pipe-line Operators' Agreement shall include an obligation on the Licensee to co-operate with the other Designated Pipe-line Operators. Such co-operation shall include but not be limited to providing the PSA and other Designated Pipe-line Operators with such information as is at the Licensee's disposal (other than confidential information the provision of which would or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator) and which would facilitate the operation of a system of PS Transmission Payments in respect of the Postalised System. Condition 2A.7 – New Licence Requirements relating to the Network Code~~

~~2A.7.1~~ ~~At any time when, and to the extent that, a Designation Order is and remains in force in respect of all or part of the Network the following provisions shall apply in relation to the Licensee's obligation to establish and implement procedures for the modification of its Network Code.~~

~~2A.7.2~~ ~~The relevant objective, the achievement of which is to be facilitated by the Licensee's Network Code, shall include the operation of efficient and economic arrangements for a system of common tariffs in respect of the Licensee's Designated Network and the Designated Network (as such term is defined in the licence of each other Designated Pipe-line Operator) of all other Designated Pipe-line Operators.~~

~~2A.7.3~~ ~~The procedures which the Licensee is required to establish and implement for the modification of the Network Code shall provide:-~~

~~(a) for all other Designated Pipe-line Operators and PS Gas Suppliers to be consulted by the Licensee in relation to any modification of the Network Code proposed by the Licensee or any other party entitled to raise such proposals;~~

~~(b) for all other Designated Pipe-line Operators and PS Gas Suppliers to be notified as soon as possible of any proposed modification put forward by the Authority or by any PS Gas Supplier;~~

~~(c) that in proposing or reporting on any modification, the Licensee shall have regard to the impact that such modification might have on the~~

~~operation of any other Designated Pipe-line Operator's network code; and~~

~~(d) where appropriate, for joint reports to be prepared.~~

~~**2A.7.4** The Licensee shall consult all other Designated Pipe-line Operators and the PS Gas Suppliers before proposing any modification to the modification rules.~~

~~PART 3~~

~~CONDITIONS APPLICABLE TO THE SUPPLY OF GAS BY THE LICENCE HOLDER~~

~~**Condition 3.1: Interpretation and Construction**~~

~~3.1.1 Definitions~~

~~In this Part 3, except where expressly stated to the contrary and unless the context otherwise requires, the following terms shall have the meanings ascribed to them below:~~

~~"balancing" means (in relation to a Network Operator and its network and any relevant period for balancing under the Network Operator's network code), taking such measures as may be available to the Licensee, in particular, measures:~~

~~(i) affecting the relationship between deliveries of gas to and offtakes of gas from that network during that period; and~~

~~(ii) to maintain pressures in the network at levels;~~

~~which will not, in the reasonable opinion of the Network Operator, prejudice interests of safety or efficiency in that or any subsequent relevant period;~~

~~"bill"~~	~~includes an invoice, account, statement or other instrument of like character;~~
~~"business premises"~~	~~means premises used wholly or mainly for commercial purposes being supplied with gas at a rate reasonably expected to exceed 2,500 therms a year; and~~
~~"charges for the supply of gas"~~	~~includes in relation to the Licensee and a particular consumer, charges made by the Licensee in respect of the provision to that consumer of a gas meter and cognate expressions shall be construed accordingly;~~
~~"chronically sick person"~~	~~means any person who, by reason of chronic sickness has special needs in connection with gas supplied to him, its use or the use of gas appliances or other gas fittings;~~
~~"disabled person"~~	~~means any person who, by reason of any disability, has special needs in connection with gas supplied to him, its use or the use of gas appliances or other gas fittings and includes any person who is in receipt of a social security benefit by reason of any disability;~~
~~"network"~~	~~means all gas plant owned, operated or utilised by a Network Operator through which a Network Operator is conveying gas for the Licensee;~~
~~"network code"~~	~~means that document so described and published by a Network Operator by virtue of the Network Operator's licence granted under Article 8 of the Order;~~
~~"Network Operator"~~	~~means a person licensed to convey gas under Article 8 of the Order who is conveying gas for the Licensee.~~

~~3.1.2 Singular/plural~~

~~The terms defined under 3.1.1 shall include the singular and the plural, as the context requires.~~

~~Condition 3.2: Territorial Scope and Exclusivity~~

~~3.2.1 Territorial scope~~

~~The Licensee is authorised:~~

~~(a) to supply gas to those premises in the Licensed Area as are connected to the Network Operator's network; and~~

~~(b) to supply gas to any person at any point within, on or from the Network Operator's network.~~

~~3.2.2 Exclusivity~~

~~Subject to Condition 3.2.3, the Licensee shall be entitled exclusively to supply gas to those premises in the Licensed Area connected by means of a service pipe to the Network Operator's network as described and for the periods stated in Schedule 2.~~

~~3.2.3 Loss of exclusivity~~

~~The Licensee shall cease to be entitled exclusively to supply gas to premises under Condition 3.2.2:~~

~~(a) in respect of particular premises where it refuses to supply particular premises and the owner or occupier of the premises is willing to pay the Licensee's charges for the supply and take such supply in accordance with the Licensee's terms of supply for that person; or~~

~~(b) in respect of any premises in a district where the Authority determines it has ceased to be entitled exclusively to convey gas to premises in that district under Condition 2.2.3; or~~

~~(c) in the Licensed Area where:~~

(i) the Authority or the Department determines it has ceased to be entitled exclusively to convey gas to any premises in the Licensed Area under Condition 2.2.3; or

(ii) the Department modifies Condition 3.2.3 and Schedule 3 pursuant to Article 9(5) of the Order where it is satisfied on reasonable grounds of a contravention by the Licensee of any of the following conditions which are "relevant conditions" for the purposes of Article 9 of the Order ("relevant conditions"):

(aa) Conditions 1.3.3 and 1.3.4; and

(bb) subject to Condition 3.3.4, Condition 3.3.

3.2.4 Additional duty to provide information

The Licensee shall advise the Authority by its report given under Condition 1.2 in respect of the immediately preceding year whilst that Condition applies, and thereafter no later than 1st March of each year for the immediately preceding year ending on the 31st December, of the number of supply arrangements made by the Licensee with consumers distinguishing between domestic consumers and non-domestic consumers and further distinguishing between supplies above and below 2,500 therms and 75,000 therms at premises in any period of twelve months.

Condition 3.3: Security and Continuity of Supply

3.3.1 Licensee to maintain its financial affairs

The Licensee shall at all times maintain its financial affairs in such a way so as not to prejudice the conduct of its licensed business and shall at the request of the Authority provide the Authority with such information as the Authority may reasonably request to be satisfied of the above.

3.3.2 Licensee to maintain supply/demand match

The Licensee shall at all times act to maintain the balance of its supplies of gas and demand for gas such that it can maintain a continuous and reliable supply of gas to its

existing consumers from time to time, and without prejudice to the generality of the foregoing can meet all such demands for gas in accordance with the security standard.

3.3.3 Security Standard

The security standard means:

(a) the availability of a supply of gas which would at least equal the daily firm demand which, having regard to historical weather and other data, derived from at least the previous 50 years, is likely to be exceeded (whether on one or more days) only in 1 year out of 20 years; and

(b) the availability of supplies of gas over a year which would equal the aggregate amount of daily firm demand over a year which, having regard to such data as aforesaid, is likely to be exceeded only in 1 year out of 50 years.

3.3.4 Circumstances in which this Condition is not a relevant condition

For the purposes of Condition 3.2.3(c)(ii) this Condition shall not be a relevant condition where the Licensee is in contravention of Condition 3.3.2 by reason of circumstances beyond its reasonable control which it could not have prevented or overcome with reasonable diligence and foresight.

3.3.5 Additional Definitions

In this Condition:

"daily firm demand" means the peak aggregate daily demand for gas by the Licensee's consumers from time to time which might reasonably be expected after the Licensee had interrupted or reduced the supply of gas to each consumer to the extent that (otherwise than in the circumstances mentioned in Condition 3.15.4) it was entitled to do so under its contract with that consumer;

"daily" means a period beginning at 6 am on one day and ending immediately before 6 am on the following day; and

~~"year" means a period of 12 months beginning with 1st October.~~

~~Condition 3.4: Use of the Network~~

~~3.4.1 Prudent use of the Network~~

~~The Licensee shall act in a reasonable and prudent manner in the use it makes of the Network Operator's network for the purpose of the conveyance of gas.~~

~~3.4.2 Particular compliance obligations~~

~~Without prejudice to the generality of Condition 3.4.1, the Licensee shall enter into arrangements with the Network Operator for the conveyance of the Licensee's supplies of gas in accordance with the Network Operator's network code and the Licensee shall not knowingly or recklessly pursue any course of conduct (either alone or with some other person) which is likely to prejudice:~~

~~(a) the safe and efficient operation, from day to day, by a Network Operator of its network; or~~

~~(b) the efficient balancing by that Network Operator of its network; or~~

~~(c) the due functioning of the arrangements provided for in its network code.~~

~~3.4.3 Information not intentionally to mislead~~

~~The Licensee shall not knowingly or recklessly act in any manner likely to give a false impression to a Network Operator as to the amount of gas to be delivered by the Licensee on a particular day to that Network Operator's network or as to the amount of gas to be comprised in its offtakes of gas therefrom on that day.~~

~~Condition 3.5: Charges for Gas and Other Terms for the Supply of Gas~~

~~3.5.1 Control over Charges in the absence of competition~~

~~If after 31st December, 2001, consumers of different cases or classes of cases or for different areas, whose consumption of gas at any premises is reasonably expected not to exceed 75,000 therms in any period of twelve months:~~

~~(a) do not have the opportunity of taking a supply of gas from another gas supplier (or if there is such an opportunity it does not safeguard the interests of consumers); and~~

~~(b) the Authority determines that competition from fuels other than gas is not safeguarding the interests of those consumers;~~

~~then the Licensee shall take all reasonable steps to secure that in any period of 12 months the average price per therm of gas supplied to such consumers shall not exceed a maximum price to which the Authority has consented (and the Authority having consulted with the Licensee before deciding whether to give or withhold its consent), and (without prejudice to any other means of modifying this licence under Condition 1.10 and the Order and the Energy Order), failing consent then:~~

~~(c) within 28 days of the date on which the Authority gives notice of its withholding consent, the Licensee may request the Authority by notice to the Authority (a "disapplication notice") not to apply this Condition 3.5.1 in which event it shall not apply;~~

~~(d) unless within six months of the the date of the disapplication notice the Authority makes a reference to the Competition Commission under Article 15 of the Order relating in whole or part to the modification of this Condition 3.5.1, this Condition 3.5.1 will continue not to be applied after that period has passed in respect of those consumers; and~~

~~(e) in the event of such a reference to the Competition Commission under paragraph (d) above, the Commission gives a report, then until the licences given under the Grant shall be modified in accordance with the Order in relation to that reference, the Licensee may continue to charge for the supply of gas notwithstanding that the Authority has not consented to such charges;~~

~~and in relation to charges imposed by the Licensee with the consent of the Authority where this Condition 3.5.1 applies, then the Licensee shall continue to comply with charging arrangements to which the Authority has consented until the Authority otherwise agrees with the Licensee that such consent may be modified or the need for such consent is no longer relevant.~~

~~3.5.2 Principles to be applied in consenting to Charging Basis~~

~~For the purposes of Condition 3.5.1, in giving consent, the Authority shall have regard to the need of the Licensee to be able to finance the carrying on of its activities and for a return equal to that which in the reasonable opinion of the Authority is appropriate.~~

~~3.5.3 Statement of charges for the supply of gas~~

~~Where the Licensee is in a dominant position in the supply of gas to consumers of different cases or classes of cases or for different areas, then the Authority may direct the Licensee to provide it with a statement of the charges being made or proposed to be made to such consumers by the Licensee for the supply of gas, and:~~

~~(a) any question as to whether the Licensee is in a dominant position shall be determined by the Authority, having regard to any representations made to it; and~~

~~(b) in relation to charges which are proposed to be made the Authority may not direct a minimum period before these charges may be introduced from its receipt of the statement.~~

~~3.5.4 Publication of statement of charges for the supply of gas~~

~~The Licensee shall comply with any direction given by the Authority to publish in such manner as determined by the Authority the statement prepared by the Licensee under Condition 3.5.3 so as to give adequate publicity to the matters contained in that statement with respect to consumers whose demand for gas at any premises is not reasonably expected to exceed 25,000 therms in any period of twelve months.~~

~~3.5.5 Classes of consumers~~

~~In determining which consumers constitute different cases or classes of cases for the purposes of this Condition, due regard shall be had to all the circumstances of supply (including, in particular, volumes, pressure of supply, load factors, conditions of load management including interruptability, seasonality of supply, location of premises being supplied, date, duration and terms of agreement).~~

~~3.5.6 Standard terms for the supply of gas to consumers of gas~~

~~Where the Licensee is in a dominant position in the supply of gas to consumers of different cases or classes of cases or for different areas, then the Authority may direct the Licensee to determine in so far as is reasonably practicable standard terms on which it would be prepared to enter into contracts to supply gas to such consumers, and:~~

~~(a) any question as to whether the Licensee is in a dominant position shall be determined by the Authority, having regard to any representations made to it;~~

~~(b) different standard terms may be determined for consumers of different cases or classes of cases, or for different areas;~~

~~(c) where it is not reasonably practicable to prepare standard terms as above in respect of any consumer or for consumers of different cases or classes of cases or for different areas, the Licensee shall prepare a summary of the terms on which it would contract to supply gas; and~~

~~(d) the Licensee shall give written notice of those terms and of any material variation therein (or if the Authority so requires, a revised notice of the terms) to the Authority and, with respect to contracts for the supply of gas where the supply is to individual premises and is not reasonably expected to exceed 25,000 therms in any period of twelve months, the Licensee shall:~~

~~(i) on request by any other person, furnish that person with a copy of any such notice; and~~

~~(ii) shall publish the standard terms for such a supply and any variation thereto in such manner as in the reasonable opinion of the Licensee will secure adequate publicity for them,~~

~~and, for the purposes of this Condition 3.5.6, "standard terms" means terms as to charges and all such other matters as concern the rights and obligations of the contracting parties.~~

~~Condition 3.6: Undue Discrimination and Undue Preference~~

~~3.6.1 Dominant position~~

~~If the Licensee, together with any of its affiliated or related undertakings operating in the same market, is in a dominant position in a market for the supply of gas to consumers whose demand for gas at any premises is not reasonably expected to exceed 75,000 therms in any period of twelve months, then the Licensee, in the terms on which it supplies or offers to supply gas to consumers in that market:~~

~~(a) shall not show undue preference to any consumer or class of consumer; and~~

~~(b) shall not exercise any undue discrimination against any consumer or class of consumers;~~

~~and shall not set prices for the supply of gas to consumers at premises:~~

~~(c) in any market or markets in which it has a dominant position which are unduly onerous; or~~

~~(d) in any market or markets which are predatory.~~

~~3.6.2 Established competition~~

~~Condition 3.6.1 shall not prevent the Licensee from supplying or offering to supply gas to all or any class of consumers on terms which are reasonably necessary to meet established competition in relation to such consumers, provided that the Licensee:~~

~~(a) does not set terms in respect of the consumers in question which:~~

~~(i) are predatory; or~~

~~(ii) show undue preference or unduly discriminate as between any such consumers; and~~

~~(b) does not set terms in respect of the supply of gas at premises to consumers of any other class in relation to whom the Licensee has a dominant position, which are unduly onerous.~~

~~3.6.3 Predatory/unduly onerous terms~~

~~For the purposes of Conditions 3.6.1 and 3.6.2,~~

~~(a) terms shall be taken to be predatory if but only if:~~

~~(i) charges in accordance with those terms do not cover such avoidable costs as, in the opinion of the Authority, they ought reasonably to cover; and~~

~~(ii) the terms are made available for the purposes of, or are likely to have the effect of, unfairly excluding or limiting competition between the Licensee and one or more other gas suppliers;~~

~~(b) terms in respect of particular consumers shall be taken to be unduly onerous if the revenue from supply on those terms:~~

~~(i) significantly exceeds costs in respect of those consumers; and~~

~~(ii) exceeds such costs by significantly more than in the case of the generality of consumers supplied with gas at premises by the Licensee save for those in any market which is by virtue of Condition 3.6.7 considered to be a separate market,~~

~~but, unless the converse is manifestly the case, terms shall not be taken to be unduly onerous if other gas suppliers to consumers at the premises in question are only willing to do so on more onerous terms, having regard to the costs of market entry they have incurred or would thereby incur.~~

~~3.6.4 Class of consumers~~

~~In distinguishing consumers and classes of consumer for the purposes of Conditions 3.6.1 and 3.6.2, due regard shall be had to all the circumstances of supply (including, in particular, volumes, pressure of supply, load factors, conditions of load management including interruptability, seasonality of supply, location of premises being supplied, date, duration and terms of agreement).~~

~~3.6.5 Determination by Authority~~

~~Any question arising under this Condition as to whether the Licensee or any other gas supplier (whether alone or together with any of its affiliated or related undertakings~~

~~operating in the same markets) is in a dominant position in a market shall be determined by the Authority, having regard to any representations made to it.~~

~~3.6.6 Additional Definitions~~

~~In this Condition:~~

~~"avoidable costs" means those costs which would not be incurred by the Licensee if he did not supply the consumers in question, including (but with due regard to the timing thereof) all relevant future outlays affected by the decision to supply; and~~

~~"terms" means all the terms on which a supply of gas is provided or offered, whether as respects charges, methods of payment or otherwise.~~

~~3.6.7 Separate market for domestic consumers~~

~~For the purpose of this Condition, any market for the supply of gas to domestic consumers shall be considered to be a separate market from any market for the supply of gas to non-domestic consumers.~~

~~Condition 3.7: Supply to Business Premises~~

~~3.7.1 Exemption from certain licence obligations~~

~~Conditions 3.10-3.14 and 3.16 shall not apply to any agreement entered into by the Licensee for the supply of gas to business premises.~~

~~Condition 3.8: Supply and Inspection of Meters~~

~~3.8.1 **Supply of meters**~~

~~The following provisions shall apply with respect to the supply of meters:~~

~~(a) subject to Conditions 3.8.1(b) to (g), the Licensee shall make such arrangements with the relevant Network Operator for the provision and/or installation of a gas~~

~~meter of an appropriate type by the Network Operator to any consumer to whom the Licensee supplies gas for registering the quantity of gas supplied by the Licensee to that consumer;~~

~~(b) the Licensee shall, if so requested by one of its domestic consumers or a person who has agreed to become a domestic consumer of the Licensee, arrange for the provision to that consumer of a meter owned by it or the relevant Network Operator which is of an appropriate type for registering the quantity of gas supplied to him by:~~

~~(i) arranging with the relevant Network Operator for the meter owned by the Network Operator and installed in the premises to remain in place; or~~

~~(ii) arranging with the owner of the meter installed in the premises to purchase or otherwise acquire that meter and for it to remain in place; or~~

~~(iii) arranging for the installation of a meter where there is no meter in place, or the meter in place is inappropriate or cannot be purchased or acquired on reasonable terms; or~~

~~(iv) making such other arrangements for the provision of a meter as may be agreed between the Licensee and the consumer;~~

~~(c) where the Licensee is obliged under Condition 3.8.1(b) to arrange for the provision of a meter to a consumer, it shall not require, as a condition of making such an arrangement as is mentioned in Conditions 3.8.1(b)(i), (ii) or (iii), that the consumer takes the meter otherwise than on hire or loan.~~

~~(d) where a consumer of the Licensee transfers possession of a meter to the Licensee and that meter is owned by the relevant Network Operator, the Licensee shall so inform that Network Operator, and hold the meter to the Network Operator's order for a period of one month in the condition in which it was received and with the index unaltered;~~

~~(e) where a domestic consumer terminates a contract with the Licensee for the supply of gas, the Licensee shall not:~~

~~(i) exercise any right to recover any meter owned by the Licensee at, or by reason of, the termination of such contract, or~~

~~(ii) authorise any of its officers to enter the consumer's premises for the purpose of removing any such meter;~~

~~if another gas supplier undertakes prior to the date of such termination to make an arrangement with the Licensee of the type contemplated in Condition 3.8.1(b)(ii) above on terms that the Licensee receives such compensation (if any) as may be appropriate having regard to the value of the meter;~~

~~(f) subject to Condition 3.8.1(g), the Licensee shall not be required to supply or continue to supply gas to a person, or to offer a new contract where that person takes his supply through a meter which belongs to him or if the meter is lent or hired to him otherwise than by the Licensee or by the relevant Network Operator, or if the meter is ordinarily to be read in accordance with arrangements made otherwise than by the Licensee, unless the meter is or the arrangements in question are acceptable to the Licensee; and~~

~~(g) from such date no earlier than as may be designated in writing for the purposes of this Condition generally by the Authority following such trials and consultation as it considers appropriate (the "metering liberalisation date"), the Licensee shall not:~~

~~(i) refuse to accept a meter requested by the consumer the use of which does not contravene Article 22 of the Order and which is appropriate for registering the quantity of gas supplied, except on the ground that:~~

~~(aa) the Licensee requires the supply to be taken through a prepayment meter and the meter is not one of that type; or~~

~~(bb) the meter does not offer the facilities requisite for the purposes of the contract or having regard to its terms; or~~

~~(ii) refuse to accept arrangements made by the consumer for the ordinary reading of the meter which comply with such requirements, designed to secure accurate reading of the meter and prompt transmission of data in an~~

~~appropriate form, as may be set out in such document (the "metering code") or variation thereof as may be designated in writing for the purposes hereof by the Authority following consultation with any relevant licence or exemption holders or such other persons as the Authority considers appropriate.~~

~~3.8.2 Inspection of meters~~

~~The following provisions shall apply with respect of the inspection of meters:~~

~~(a) the Licensee shall use all reasonable endeavours to ensure that the inspection of the meter and any associated appliance is undertaken in accordance with the Network Operator's network code; and~~

~~(b) an inspection under Condition 3.8.2(a) shall be carried out by a person possessing appropriate expertise and shall include the following tasks:~~

~~(i) arranging for any gas leakage identified in the vicinity of the meter to be reported;~~

~~(ii) inspecting the meter for any evidence of deterioration which might affect its function or safety; and~~

~~(iii) reading the meter;~~

~~and the Licensee shall ensure that the results of the inspection are reported promptly to the relevant Network Operator.~~

~~3.8.3 Adjustment of Charges for erroneous meter readings~~

~~Where a consumer is supplied with gas through a meter at a rate not exceeding 75,000 therms a year, this Condition shall apply if the meter is examined and found to register erroneously;~~

~~(a) where the error found is one of over registration, the charges made by the Licensee in respect of gas supplied through the meter before it was found to register erroneously shall be adjusted by reference to the extent to which the~~

~~meter is deemed to have registered erroneously in accordance with Condition 3.8.4; and, accordingly, allowance shall be made to the consumer by the Licensee; and~~

~~(b) where the error found is one of under-registration, the Licensee shall not surcharge the consumer in respect of gas supplied through the meter before it was found to register erroneously otherwise than by reference to the extent to which the meter is deemed to have registered erroneously in accordance with Condition 3.8.4.~~

~~3.8.4 Extent of erroneous meter readings~~

~~Where the meter is found, when examined by a meter examiner appointed under Article 22 of the Order, to register erroneously to a degree exceeding the degree permitted by regulations under that Article, the meter shall be deemed to have registered erroneously to the degree so found since the relevant date, except in a case where it is proved to have begun to do so on some later date and in this Condition 3.8.4 "the relevant date" means:~~

~~(a) the penultimate date on which, otherwise than in connection with the examination, the register of the meter was ascertained; or~~

~~(b) if regulations so provide, such other date as may be determined by or under the regulations.~~

~~Condition 3.9: Supply of Other Goods or Services~~

~~3.9.1 Separate charges~~

~~Where, pursuant to a single contract, the Licensee supplies gas, together with other meters or meter - related services, including, in particular, the provision of a service pipe or the provision of energy efficiency goods or services the contract shall be prepared so as to identify separately the charges for the supply of gas and for the provisions of the linked goods or services.~~

~~Condition 3.10: Social Obligations~~

~~3.10.1 Arrangements~~

~~The Licensee shall within six months of its licence under paragraph 1(b) of the Grant coming into force (unless it has done so before being so licensed in which case, on being so licensed):~~

~~(a) submit to the Authority and the General Consumer Council a statement of its proposed arrangements for the purposes of Conditions 3.11 to 3.13;~~

~~(b) if within 60 days of such submission or, if earlier, of the Licensee first being so licensed, the Authority notifies the Licensee that, in its opinion, the arrangements are not sufficient for these purposes, make such changes to the arrangements requisite to secure compliance with the conditions as are specified by the Authority;~~

~~(c) if within 60 days of such submission or, if earlier, of the Licensee first being so licensed, the General Consumer Council expresses any opinion regarding the arrangements, consider and consult with the General Consumer Council in relation to those arrangements; and~~

~~(d) make such arrangements;~~

~~and the arrangements so made in this Condition and in Conditions 3.11 to 3.13 are referred to as "the arrangements".~~

~~3.10.2 Extension of licence~~

~~In the event of an extension of its licence, the Licensee shall ensure that the arrangements remain sufficient for the purposes of Conditions 3.11 to 3.13 and shall make, subject to Condition 3.10.3, any necessary changes.~~

~~3.10.3 Change of arrangements~~

~~Except in the case of changes reasonably consequential upon a restriction of the Licensee's licence which are made with effect from the effective date of the restriction, the Licensee shall not make any material change to the arrangements except following consultation with the General Consumer Council and with the consent of the Authority.~~

~~3.10.4 Notification of arrangements~~

~~The arrangements made in pursuance of Condition 3.10.1 shall be set out in one or more documents (together with any other arrangements which the Licensee considers it appropriate to set out therein) and the Licensee shall, in respect of each such document or revision thereof:~~

~~(a) take such steps as reasonably appear to it appropriate to draw its existence and the matters which it covers to the attention of persons who appear to it to have a reasonable interest therein;~~

~~(b) on the request of any person, make a copy available to him free of charge; and~~

~~(c) send a copy to the Authority and the General Consumer Council.~~

~~3.10.5 Domestic consumers~~

~~The Licensee shall use its best endeavours to ensure, so far as is reasonably practicable, that it conducts itself towards its domestic consumers in conformity with the arrangements.~~

~~Condition 3.11: Efficient Use of Gas~~

~~3.11.1 Advice~~

~~The arrangements shall provide for the provision, at the request of any of the Licensee's domestic consumers, of advice on the efficient use of gas, given or prepared by a suitably qualified person and in particular, advice in respect of:~~

~~(a) the restriction of heat losses from existing buildings;~~

~~(b) the selection of gas heating (including the use of gas condensing boilers), systems or controls for such systems for use in either existing or new buildings;~~

~~(c) the operation of gas heating systems in either existing or new buildings which is best calculated to make an efficient use of gas;~~

~~(d) the efficient use of gas supplied to a domestic consumer but used for the purposes of trade or business;~~

(e) organisations which may provide further advice, training or other services in connection with the efficient use of gas;

(f) sources of possible financial assistance in meeting the cost of works calculated to improve the efficient use of gas in existing dwellings; and

(g) generally, in respect of the financial costs and benefits of energy efficient appliances.

Condition 3.12: Services for Pensioners, Chronically Sick or Disabled Persons

3.12.1 Arrangements

The arrangements shall provide, in relation to any of the Licensee's domestic consumers who is of pensionable age ("a pensioner") or is chronically sick or registered disabled ("a disabled person"), on request and without charge:

(a) except in the case of a consumer living with another person who is neither a pensioner nor chronically sick nor a disabled person nor a minor, for the examination by a person possessing appropriate expertise at intervals of not less than 12 months of the safety of gas appliances and other gas fittings on the consumer's side of the meter at his premises, other than an appliance for the annual inspection of which a landlord of the consumer is responsible in pursuant of regulations made under the Health and Safety at Work (Northern Ireland) Order 1978;

(b) so far as is reasonably practicable and appropriate:

(i) for the provision of special controls or adaptors, from a range of such controls or adaptors, for prepayment meters provided by the Licensee and for gas appliances;

(ii) for the repositioning to meet the needs of the consumer occasioned by his physical condition arising from his age, chronic sickness or disability of any gas meter owned by the Licensee or the Network Operator; and

(iii) for the transmission to any other relevant party licensed or authorised to convey gas under the Order of any request by the consumer for that party so to reposition any gas meter it owns;

(c) for affording to the consumer special means by which he may confirm the identity or authority of any of the Licensee's officers authorised for the purposes of any provision of Schedule 5 to the Order;

(d) for the provision of advice, given or prepared by a person possessing appropriate expertise, relating to the use of gas, gas appliances and other gas fittings;

(e) for invoices or accounts in respect of the supply of gas to the consumer to be sent to a person who, for the time being, is nominated by him and is willing to be sent such invoices or accounts, without prejudice, however, to the right of the Licensee to send them to the consumer as well where that appears appropriate to the Licensee; and

(f) where neither the consumer nor any person living with him is able to read the gas meter and it is ordinarily read in accordance with arrangements made by the Licensee, for the meter to be read once in each quarter and for the consumer to be told what those readings are.

3.12.2 List of pensioners or disabled persons

The arrangements shall provide:

(a) for the keeping by the Licensee of a list of its domestic consumers who are either pensioners or disabled or chronically sick persons and who request to be included in the list;

(b) for the list to contain appropriate information provided by the consumer which facilitate the identification of his special needs;

(c) for notifying its domestic consumers once each year that that list is kept and how those who are pensioners or disabled or chronically sick persons may apply for inclusion therein; and

(d) for the Licensee to provide the information in the list to any relevant party licensed or authorised by exemption under the Order to convey gas in an appropriate form and at appropriate intervals.

Condition 3.13: Facilities for Blind and Deaf People

3.13.1 Adequate facilities

The arrangements shall provide for the provision, on request and free of charge, in relation to the Licensee's domestic consumers who, to the knowledge or reasonable belief of the Licensee:

(a) are blind or partially sighted of:

(i) details of the meter readings and charges in respect of the supply of gas as set out in any bill; and

(ii) details of the arrangements for making enquiries or complaints about bills or the services provided by the Licensee;

relating to them by telephone or other appropriate means; or

(b) are deaf or partially hearing, of details of facilities to assist them (if they have the equipment enabling them to take advantage thereof) when making enquiries or complaints about bills or the services provided by the Licensee.

Condition 3.14: Pensioners Not to Have Supply of Gas Cut Off in Winter

3.14.1 Application

This Condition shall apply in the case of any of the Licensee's domestic consumers who -

(a) is of pensionable age and lives alone or with other persons all of whom are also of pensionable age or minors;

(b) is supplied with gas to premises not being business premises; and

(c) is in default of his obligation to pay for gas through misfortune or inability to cope with credit terms for the supply of gas for domestic use.

3.14.2 Winter period

The Licensee shall not in those circumstances cut off the supply of gas to a pensioner's premises during any winter period, that is to say, a period beginning with 1 October in any year and ending with 31 March in the next following year except only in respect of and only for the duration of a network emergency as provided in Condition 3.15.3.

Condition 3.15: Emergencies

3.15.1 Application to Network emergencies

Condition 3.15.2 shall apply:

(a) in the case of an escape, or suspected escape, of gas; or

(b) in the case of a network emergency, that is to say, where the circumstances are such that, in the opinion of the Network Operator:

(i) the safety of its network or any part of its network is significantly at risk; or

(ii) the safe conveyance of gas by its network is significantly at risk; or

(iii) the gas conveyed by its network is at such a pressure or of such a quality as to constitute, when supplied to premises, a danger to life or property;

and that opinion is not manifestly unreasonable.

3.15.2 Licensee to use best endeavours

Where this Condition applies, the Licensee shall use its best endeavours to comply with all requests made by the Network Operator (save those which are manifestly unreasonable) for the purpose of, as may be appropriate:

(a) averting or reducing danger to life or property; or

(b) securing the safety of the network or the safe conveyance of gas thereby or reducing the risk thereto.

3.15.3 Discontinuance of supply

Subject to Condition 3.15.4, the Licensee shall include in its contracts for the sale of gas to consumers, a term to the effect that, for the duration of a network emergency, within the meaning of Condition 3.15.1(b):

(a) the Licensee is entitled at the request of the Network Operator to discontinue the supply of gas to the premises; and

(b) the consumer shall use its best endeavours to refrain from using gas immediately upon being notified by the Licensee that he must do so.

3.15.4 Direction under the Energy Act

The Licensee shall include in its contracts for the supply of gas to consumers, whether or not domestic consumers, a term to the effect that, if it is given a direction under Section 2(1)(b) of the Energy Act 1976 prohibiting or restricting the supply of gas to specified persons, then, for so long as the direction is in force and so far as is necessary or expedient for the purposes of, or in connection with, the direction:

(a) the Licensee is entitled to discontinue or restrict the supply of gas to the consumer; and

(b) the consumer shall refrain from using, or restrict his use, of gas, on being told by the Licensee that he should do so.

3.15.5 Escape of gas

The Licensee shall obtain from the Network Operator a telephone number continuously attended for reporting escapes of gas and shall inform each person to whom it supplies gas:

(a) that it should be informed immediately if there is an escape, or suspected escape, of gas; and

(b) of a telephone number which may be used for that purpose which shall be the telephone number advised by the Network Operator.

Condition 3.16: Standards of Performance

3.16.1 Supply to domestic premises

The Licensee shall establish, unless it has already done so before the coming into effect of this licence, and shall diligently take all reasonable steps for the achievement of standards of performance ("the established standards") relating to the supply of gas by the Licensee to domestic consumers.

3.16.2 Record of arrangements

The Licensee shall keep a record of its general operation of the arrangements mentioned in Conditions 3.11-3.13 and compliance with Condition 3.14 and, if the Authority so directs in writing, of its operation of Condition 3.14 in particular cases specified, or of a description specified, by it. The Licensee shall also keep a statistical record of its performance in relation to the provision of gas supply services to domestic consumers including services related to:

(a) the giving of, and the continuation of the giving of, supplies of gas;

(b) the ascertainment of quantities of gas supplied and the recovery of gas charges; and

(c) the making of visits to consumers' premises and the response made to enquiries.

3.16.3 Report to Authority and General Consumer Council

As soon as is reasonably practicable after the end of each year ending on 31 December, the Licensee shall submit to the Authority and General Consumer Council a report dealing with the matters mentioned in Condition 3.16.2 which shall include a comparison of the Licensee's performance against the established standards in relation to that year and shall:

(a) make public the report so submitted in such manner as will in the reasonable opinion of the Licensee secure adequate publicity for it; and

~~(b) send a copy of it free of charge to any person requesting one~~

~~except that, in performing the obligations under Conditions 3.16.3(a) and (b), the Licensee shall exclude from the report such information as appears to it to be necessary or expedient to ensure that, save where they consent, individual consumers referred to therein cannot readily be identified.~~

~~3.16.4 Standard format~~

~~The report shall be presented, so far as is reasonably practicable, in a standard format determined by the Authority.~~

~~Condition 3.17: Provision of Information Requested by Other Licence or Exemption Holders~~

~~3.17.1 Provision of information~~

~~The Licensee shall provide information reasonably requested by any relevant licence or exemption holder for the purpose of enabling it to fulfil its licence obligations to draw up plans for the safe operation, development or maintenance of any pipe-line system and as it may reasonably request for the purpose of preventing or detecting theft of gas.~~

~~3.17.2 Prejudicial to commercial interests of Licensee~~

~~The Licensee shall be entitled to refuse to provide information on the grounds that its disclosure would seriously and prejudicially affect the commercial interests of the Licensee unless and until the Authority, by notice in writing given to the Licensee, directs it to provide such information on the ground that the provision thereof is necessary for the purpose of Condition 3.17.1 above.~~

~~3.17.3 Civil proceedings~~

~~This Condition shall not require the Licensee to produce any documents or give any information which it could not be compelled to produce or to give in evidence in civil proceedings before the court.~~

~~3.17.4 Effective arrangements~~

~~Condition 3.17.1 shall not apply in respect of any person licensed or authorised by exemption to convey gas which has not established, whether in pursuance of a licence condition or otherwise, effective arrangements designed to secure that information provided in pursuance thereof, is not communicated, directly or indirectly, to another person licensed or authorised by exemption, to supply gas.~~

~~Condition 3.18: Maintenance of Records~~

~~3.18.1 Recorded information~~

~~The Licensee shall hold in an appropriate form recorded information, insofar as the Licensee is able to acquire it, as to:~~

~~(a) every premises to which gas has been supplied by the Licensee during the relevant period;~~

~~(b) insofar as the Licensee has been furnished with the information, the ownership of every meter installed at any premises referred to in Condition 3.18.1(a) for ascertaining the quantity of gas supplied to the premises by means of that system during the relevant period;~~

~~(c) any information contained in a notice given to the Licensee under any regulations made by the Authority under Article 22 of the Order during the relevant period; and~~

~~(d) any information which has been provided to the Licensee by any other licence or exemption holder whether directly or indirectly pursuant to the conditions of his licence or exemption.~~

~~3.18.2 Additional definition~~

~~"relevant period" means the preceding five years or such shorter period to which the Authority may consent in respect of any of the above requirements.~~

~~PART 3A~~

~~STANDARD CONDITIONS APPLICABLE TO GAS SUPPLIERS SHIPPING GAS ACROSS DESGINATED NETWORKS~~

~~Part 3 of the Licence incorporates the standard conditions of licence applicable to gas suppliers shipping gas across designated networks set out in Part 3A of the standard conditions of licences for the supply of gas.~~

~~Condition 3A.1 : Interpretation And Construction~~

~~DEFINITIONS FOR SUPPLIER POSTALISATION LICENCE CONDITIONS~~

~~Interpretation and Construction~~

~~Definitions~~

~~In Part 3A of this Licence, except where expressly stated to the contrary and unless the context otherwise requires, the following terms shall have the meanings ascribed to them below:~~

~~"Business Day"~~	~~means a day, other than a Saturday or Sunday, on which banks are open for ordinary banking business in Belfast;~~
~~"Credit Committee"~~	~~means the committee which is convened and operates in accordance with the "Terms of Reference";~~
~~"Designated Network"~~	~~means such parts of a Designated Pipe-line Operator's Network as is or are designated from time to time pursuant to the Designation Order;~~
~~"Designated Pipe-line Operator"~~	~~means a person licensed to convey gas under Article 8(1)(a) of the Order for the Licensee through the Postalised System;~~
~~"Designation Date"~~	~~means the date specified in a Designation Order on which any part of a Designated Pipe-line Operator's Network through which the Licensee is entitled to have gas conveyed shall be designated as postalised;~~
~~"Designation Order"~~	~~means an order made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003 designating gas plant comprised within the Network as being subject to a common tariff;~~
~~"Exit", "Exiting"~~	~~or forms thereof, refers to the offtaking of gas at an Exit Point;~~
~~"Exit Point"~~	~~means a point on the Designated Network at which gas is offtaken from the Designated Network by the Licensee, which is not a Transit Point and which constitutes an Exit Point under the Network Code;~~

~~"Firm Capacity"~~	~~means, at any relevant time in respect of a Gas Supplier, capacity (in KWh/day) held at such time by such Gas Supplier on a firm basis in respect of an Exit Point in accordance with the provisions of the Network Code and in respect of a Gas Year (or any part thereof); except that if any Minimum Capacity Value in respect of such period and such Gas Supplier is greater than such allocated capacity then the Firm Capacity deemed to be held by such Gas Supplier shall be that Minimum Capacity Value;~~
~~"Forecast Supplier Quantity"~~	~~means the quantity of gas which the Licensee forecasts it will Exit from a Designated Network in a given period, provided that, if in relation to the Licensee such quantity is less than any applicable Minimum Quantity Value, the Forecast Supplier Quantity in relation to the Licensee shall be such Minimum Quantity Value;~~
~~"Gas Supplier"~~	~~means any person authorised by licence under Article 8 of the Order or by exemption under Article 7 of the Order to supply gas, (including the Licensee as so authorised or exempted) and who is entitled to Exit gas from the Designated Network or any person who is not so authorised, but with the Authority's consent either: (i) holds Firm Capacity; or (ii) is entitled to Exit gas from the Designated Network as if it were a Gas Supplier;~~
~~"Gas Year"~~	~~means the period of time beginning at 06:00 hours on 01 October in any calendar year and ending at 06:00 hours on 01 October in the next succeeding calendar year;~~
~~"kWh"~~	~~means 3,6000,000 joules as defined in ISO 1000-1981(E);~~
~~"Minimum Quantity Value"~~	~~means any minimum quantity of gas (in KWh) in respect of which the Licensee is obliged under contract to a Designated Pipe-line Operator to pay transmission charges in respect of a Gas Year or part thereof;~~
~~"Network"~~	~~means all gas plant owned, operated or utilised by a Designated Pipe-line Operator through which that Designated Pipe-line Operator is conveying gas for the Licensee;~~
~~"Network Code"~~	~~means that document so described and published by a Designated Pipe-line Operator by virtue of the licence granted to that Designated~~

	~~Pipe-line Operator under Article 8(1)(a) of the Order;~~
~~"Order"~~	~~means The Gas (Northern Ireland) Order 1996;~~
~~"Postalised System"~~	~~means the system comprising all gas pipe-lines designated as being subject to a common tariff pursuant to all orders made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003 in force at such time;~~
~~"Primary DPO"~~	~~means a Designated Pipe-line Operator holding a licence to convey gas in respect of a part of the Postalised System on which the Licensee is entitled to Exit gas;~~
~~"Primary DPO Network"~~	~~means all gas plant owned, operated or utilised by a Primary DPO through which that Primary DPO is conveying gas for the Licensee and from which the Licensee is entitled to Exit gas;~~
~~"PS Transmission Payments"~~	~~means any amount which a Primary DPO is obliged or entitled to charge to the Licensee in respect of the provision of gas conveyance services on the Postalised System under such Primary DPO's licence to convey gas;~~
~~"Quarter"~~	~~means each successive three calendar month period in a Gas Year, the first of which shall run from and including 06:00 hours 01 October until 06:00 hours 01 January in that Gas Year; and "**Quarterly**" shall be construed accordingly.~~
~~"Terms of Reference"~~	~~means the terms of that name appended to the Network Code which govern the operation of the Credit Committee;~~
~~"Transit Point"~~	~~means a point of interconnection between a Designated Network and another pipeline forming part of the Postalised System;~~

~~3A.1.1 Interpretation~~

~~In Part 3A all capitalised terms shall have the meaning ascribed to them in such part, notwithstanding any other definition of any such term elsewhere in the licence. Capitalised terms within Part 3A which are not defined within such part shall have the meaning ascribed to them elsewhere in the licence.~~

~~3A.1.2 Provision of Information~~

~~Nothing in Part 3A shall require the Licensee to produce any information or provide any document to any other party which the Licensee could not be compelled to produce or provide in civil proceedings in the High Court.~~

~~Condition 3A.2: General Conditions Applicable To The Licence Holder In Relation To Postalisation Charges~~

~~3A.2 Conveyance Charges~~

~~3A.2.1 Application of provisions relating to common tariff~~

~~In respect of the Gas Year commencing on or after the Designation Date and each Gas Year thereafter and to the extent that a Designation Order is and remains in force in respect of any Primary DPO Network, the Licensee shall be subject to the provisions of this Condition 3A.~~

~~3A.2.2 Forecasts and information relating to following Gas Years~~

~~**3A.2.2.1** The Licensee shall, each Gas Year, provide the following forecasts and information to each of its Primary DPO (in respect of each such Primary DPO Network only), in each case no later than the tenth Business Day in June in respect of the next Gas Year (GY) and each of the following four Gas Years (GY+1 to GY+4):~~

~~(a) the Forecast Supplier Quantity together with:~~

~~(i) an explanation of the reasons why any Forecast Supplier Quantity in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the Forecast Supplier Quantity in respect of GY;~~

~~(ii) a breakdown showing the proportions of the Forecast Supplier Quantity in respect of each Exit Point attributable to each Quarter of GY; and~~

~~(b) the assumptions on which the figures provided pursuant to Condition 3A.2.1.1(a) are based. In respect of power stations this shall include but not be limited to load factors, generation output and efficiency. In respect of a Licensee supplying gas to distribution networks this shall include but not be limited to numbers of consumers and average forecast quantity per consumer.~~

~~**3A.2.2.2** The Licensee shall use its reasonable endeavours to ensure that all forecasts and information supplied in accordance with Condition 3A.2.2.1 are as accurate as possible having regard to the information and forecasts available to the Licensee and shall provide with such forecasts a full breakdown and reasoning as to how it has calculated those forecasts.~~

~~**3A.2.2.3** The Licensee shall promptly submit to any Primary DPO any further information, explanation and access to relevant documents and records, in each case as such Primary DPO reasonably requires in respect of the figures provided pursuant to this Condition 3A.2.2.~~

~~**3A.2.3 Payment of PS Transmission Payments**~~

~~The Licensee shall pay all PS Transmission Payments in accordance with the provisions of the Network Code.~~

~~**Condition 3A.3 Credit Committee**~~

~~3A.3.1 The Licensee shall promptly and competently take all reasonable actions necessary to facilitate the efficient functioning of the Credit Committee, in accordance with the Terms of Reference. Excepted in certain circumstances as specified in the Terms of Reference such actions shall include:~~

~~(A) attendance at any meeting of the Credit Committee convened,~~

~~(B) full and due consideration of any matters (including all relevant information) in respect of which a Credit Committee is convened;~~

~~(C) reasonable participation in the decision making process in relation to any matter with respect to which any Credit Committee has been convened with a view that appropriate decisions be made by such Credit Committee in a timely manner; and~~

~~(D) reasonable participation in the passing of any decisions made by any Credit Committee.~~

~~3A.3.2 The licensee shall ensure that the Credit Committee acts in a non-discriminatory and transparent manner.~~

SCHEDULE 1

Licensed Area for the Conveyance of Gas ~~and for the Supply of Gas~~

The Licensed Area

(2) The Licensed Area comprises:

(a) the districts shown for the purposes of identification only, on the map attached as Annex 1 to this Schedule 1 and more particularly described on the map approved by the Department for these purposes and deposited with the Authority or any copy of the approved map certified by the Authority as a true copy;

(b) the areas within the boundaries of the following Electoral Wards (as falling within the district of Larne):

(i) Carncastle;

(ii) Kilwaughter;

(iii) Ballycarry;

(iv) Glenarm; and

(v) Glynn;

(c) the area within the boundary of the Electoral Ward of Millisle (as falling within the district of Ards); and

(d) the following premises:

(i) 26 Site 1 Boghill Road, Newtownabbey, Co. Antrim, BT36 4QS;

(ii) Tarmac Northern Ltd, 40a Boghill Road, Newtownabbey, Co. Antrim, BT36 4QS;

(iii) Ballyearl Sports Centre, Doagh Road, Newtownabbey, Co. Antrim;

(iv) Ashers Baking Co, 581 Doagh Road, Newtownabbey, Co. Antrim, BT36 5RZ;

(v) 583, Doagh Road, Newtownabbey, Co. Antrim BT36 5RZ;

(vi) Miles Ash Ltd, 576 Doagh Road, Newtownabbey, Co. Antrim BT36 5BU;

(vii) Newtownabbey Council Depot, 570 Doagh Road, BT36 5BU; and

(viii) 50 Carnmoney Road North.

(e) The area within the boundaries of each of the electoral wards of Comber North, Comber South, Comber West, Comber East and Lisbane.

(3) ~~For the purposes of the conveyance licence only, t~~The Licensed Area shall also comprise:

(a) the land in on or over which pipe-lines are situated for the purpose of conveying gas to the premises listed in paragraph 1.1(d) above;

(b) the premises at The Temple Quarry, 26 Ballycarngannon Road, Lisburn, BT27 6YA;

(c) the premises at The McQuillan Quarry, 15 Sycamore Road, Budore, BT29 4JE;

(c) the land in on or over which The McQuillan Quarry Pipeline is situated;

(d) the land in on or over which The Quarry Pipeline is situated;

(e) any premises which are, at any given location, situated within a 50 metre radius of either The Quarry Pipeline or The McQuillan Quarry Pipeline; and

(f) the land in on or over which pipelines are situated for the purpose of conveying gas to premises specified in paragraph 1.2(f) above.

(4) In paragraph 1.2:

"The Quarry Pipeline"	means the distribution pipeline of the Licensee which pipeline follows the route of the A24 (as proceeding South from the boundary of the area described in 1.1(a)

	above) and continuing South along the A24 to the junction of the Carr Road, continuing North-West along the Carr Road to the junction with the B178, continuing South-West along the B178 to the junction with the Ballycarngannon Road and continuing south along the Ballcarngannon Road to (and terminating at) the premises specified in paragraph 1.2(b) above.
"The McQuillan Quarry Pipeline"	means the distribution pipeline of the Licensee which pipeline follows the route of the Upper Springfield Road, Divis Road, Tornaroy Road, Wheelers Road, Tornagrough Road, Tullyrusk Road and continuing along the Sycamore Road to (and terminating at) the premises specified in 1.2(c) above

Schedule 1

Annex 1

Map

SCHEDULE 2

Premises to Which Gas May Be Supplied

1. Consumers whose demand does not exceed 2,500 therms at any one premises

The Licensee has the exclusive authority to supply gas to premises in the Licensed Area where the consumption of gas at any of those premises is not reasonably expected to exceed 2,500 therms in any period of 12 months; and may do so exclusively only from the coming into force of the licence granted under paragraph 1(b) of the Grant until 30 September 2005.

2. Consumers whose demand is likely to exceed 2,500 therms but does not exceed 75,000 therms at any one premises

The Licensee has the exclusive authority to supply gas to premises in the Licensed Area where the consumption of gas at any of those premises is reasonably expected to exceed 2,500 therms but is not reasonably expected to exceed 75,000 therms in any period of 12 months; and may do so exclusively only from the coming into force of the licence granted under paragraph 1(b) of the Grant until 30 September 2005.

3. Consumers whose demand is likely to exceed 75,000 therms at any one premises

The Licensee has the exclusive authority to supply gas to premises in any district where the consumption of gas at any of those premises is reasonably expected to exceed 75,000 therms in any period of 12 months; and may only do so exclusively only from the date gas should become available in the relevant district in accordance with Schedule 4 until either the third anniversary of that date or 30 September 2004 whichever is the earlier.

4. Determination of Likelihood

Any question as to the expected consumption of gas at premises and what constitutes premises for the purposes of this Schedule 2 shall be determined by the Authority on application of the Licensee, any gas supplier, or the owner or occupier of the premises in question and in respect of the expected consumption of gas at premises the Authority shall have regard to all the relevant circumstances including the historic energy requirements at the premises, the energy requirements at the premises further to the

~~application and the capacity of gas consuming equipment installed or intended to be installed at the premises to consume gas.~~

~~5. Consumption not exceeding that expected~~

~~Where:~~

~~(a) the actual consumption of gas at any premises is found not to be that expected;~~

~~(b) the Licensee had no exclusive entitlement to supply those premises by reason of that expectation but would have done on the actual consumption; and~~

~~(c) an alternative arrangement for the supply of gas to those premises by another gas supplier is in place; then~~

~~the Licensee's exclusive entitlement shall nevertheless cease whilst the alternative arrangement is in place.~~

~~6. Licensee may consent to an alternative supply of gas to premises during periods of exclusivity~~

~~Notwithstanding, the Licensee's entitlement to exclusivity set out in this Schedule 2, and without prejudice to the generality of any other provision of this Licence Document, the Licensee may during any period of exclusivity in respect of any premises consent to a supply of gas to those premises by another gas supplier.~~

~~7. Alternative supply of gas to premises after periods of exclusivity~~

~~In any period in which the Licensee has no entitlement to exclusivity as set out in this Schedule 2 in respect of any premises, then any other gas supplier may supply those premises.~~

~~8. Licensee's right of non exclusive supply~~

~~Nothing in this Schedule 2 shall limit the right of the Licensee to supply gas under Condition 3.2.1 on a non-exclusive basis.~~

NOT USED

SCHEDULE 3

Right of Department to Revoke Licence

1. Circumstances allowing revocation

The Department may at any time revoke ~~either of the licences granted by~~ this Licence Document by not less than 30 days' notice to the Licensee:

(a) if the Licensee agrees in writing with the Department that such licence should be revoked; or

(b) if any amount payable under Condition 1.14 in relation to such licence is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Department has given the Licensee notice that the payment is overdue provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable becomes due; or

(c) if the Licensee fails to comply with a Final Order (within the meaning of Article 42 of the Energy Order) or with a Provisional Order (within the meaning of Article 42 of the Energy Order) which has been confirmed under Article 42 of the Energy Order and which (in either case) has been made in respect of a contravention or apprehended contravention of a condition to which such licence is subject or of a "relevant requirement" as defined in Article 41(2)(b) of the Energy Order and such failure is not rectified to the satisfaction of the Department within three months after the Department has given notice of such failure to the Licensee, provided that no such notice shall be given by the Department before the expiration of the period within which an application under Article 44 of the Energy Order could be made questioning the validity of the Final or Provisional Order or before the proceedings relating to any such application are finally determined; or

(~~ee~~d) if the Licensee fails to pay any financial penalty (within the meaning of Article 45 of the Energy Order) imposed in respect of a contravention or apprehended contravention of a condition to which such licence is subject or of a "relevant requirement" as defined in Article 41(2)(b) of the Energy Order by the due date for such payment and such payment is not made to the Authority within three

months after the Department has given notice in writing of such failure to the Licensee, provided that no such notice shall be given by the Department before the expiration of the period within which an application under Article 49 of the Energy Order could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined; or

(~~d~~e) if the Licensee fails to comply with any order made by the Secretary of State under Sections 56 or 73 of the Fair Trading Act 1973 or Section 10(2)(a) of the Competition Act 1980; or

~~(e) if the other licence granted by this Licence Document is revoked and immediately prior to that time the Licensee had a right to supply gas exclusively to any premises under the licence granted in paragraph 1(b) of the Grant; or~~

(f) if the Licensee:

(i) is unable to pay its debts (within the meaning of Article 103(1) or (2) of the Insolvency (Northern Ireland) Order 1989, but subject to Paragraph 4 of this Schedule 3) or if any voluntary arrangement is proposed in relation to it under Article 14 of that Order or if it enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Department); or

(ii) has a receiver (which expression shall include an administrative receiver within the meaning of Article 5(1) of the Insolvency (Northern Ireland) Order 1989) of the whole or any material part of its assets or undertaking appointed; or

(iii) has an administration order under Article 21 of the Insolvency (Northern Ireland) Order 1989 made in relation to it; or

(iv) passes any resolution for winding up other than a resolution previously approved in writing by the Department; or

(v) becomes subject to an order for winding up by a court of competent jurisdiction; or

(g) if at any time prior to the date six months following the Grant of the ~~licences~~licence the Licensee intentionally or recklessly fails to notify the Department of any change in ownership of the equity capital of the Licensee as soon as practicable after such change should have occurred; or there has been a change in ownership of equity capital notified by the Licensee:

(i) the Department is satisfied that the new shareholder (together with the other companies in its group) does not have adequate technical, financial or managerial strength taking into account the size of its shareholding in the Licensee;

(ii) the Department serves notice on the Licensee stating that it proposes to revoke the ~~licences~~licence in pursuance of this paragraph unless such further change in the ownership of the Licensee as is specified in the notice takes place (or ownership reverts to the person or those persons owning the equity capital of the Licensee prior to the change) within the period of three months beginning with the date of service of the notice; and

(iii) that further change or reversion in control does not take place within that period; or

(h) if at any time the Licensee intentionally or recklessly fails to notify the Department of a change in control as soon as practicable after such change in control should have occurred; or there has been a change in control notified by the Licensee:

(i) the Department serves notice on the Licensee stating that the Department proposes to revoke the ~~licences~~licence in pursuance of this paragraph unless such further change in control of the Licensee as is specified in the notice takes place (or control reverts to the person(s) controlling the Licensee prior to the change) within the period of three months beginning with the date of service of the notice; and

(ii) that further change or reversion in control does not take place within that period; or

(i) if the Licensee is convicted of having committed an offence under Article 46 of the Order or under Article 63 of the Electricity (Northern Ireland) Order 1992.

2. Revocation if Licensee ceases to carry on the licensed business

The Department may at any time by not less than 30 days notice to the Licensee~~:~~

~~(a)~~ , revoke the licence granted under paragraph 1(a) of the Grant if the Licensee has not commenced carrying on its business in the conveyance of gas by 30th June, 1997 or thereafter ceases for a period of 3 months to carry on its business in the conveyance of gas~~; or~~

~~(b) revoke the licence granted under paragraph 1(b) of the Grant if the Licensee has not commenced carrying on its business in the supply of gas by 30th June, 1997 or thereafter ceases for a period of 3 months to carry on its business in the supply of gas;~~, and in relation to any date or period given in this paragraph 2 the Department shall substitute a later date or a longer period where reasonably satisfied that exceptional circumstances which could not have been reasonably foreseen by the Licensee had prevented, or could reasonably be expected to prevent, the carrying on of the relevant business.

3. Revocation of licence if Licensee does not have title in assets of business

(a) The Licensee shall acquire ownership of the relevant assets (as the same are defined in Condition 1.13.6), required for the conduct of ~~any~~the licensed activity and save as is permitted under Conditions 1.12 and 1.13, if the Licensee does not have ownership of the relevant assets required for the conduct of ~~any~~the licensed activity under this Licence Document, then the Department may at any time by not less than 30 days' notice to the Licensee revoke the licence ~~for such licensed activity~~.

(b) For the purposes of this paragraph 3 of this Schedule 3 the Licensee shall own a relevant asset if it could not otherwise be treated as having been disposed of (as disposal is defined in Condition 1.13.7).

4. Licensee's deemed ability to pay its debts

(a) For the purposes of paragraph 1(f)(i) of this Schedule 3, Article 103(1)(a) of the Insolvency (Northern Ireland) Order 1989 shall have effect as if for "~~,~~£750" there was substituted "~~,~~£250,000" or such higher figure as the Department may from time to time determine by notice in writing to the Licensee.

(b) The Licensee shall not be deemed to be unable to pay its debts for the purposes of paragraph 1(f)(i) of this Schedule 3 if any such demand as is mentioned in Article 103(1)(a) of the Insolvency (Northern Ireland) Order 1989 is being contested in good faith by the Licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Department under paragraph 1 of this Schedule 3.

5. Additional definition

For the purposes of paragraph 1(h) of this Schedule 3, there is a change in the control of the Licensee whenever a person obtains control of the Licensee who did not have control of the Licensee when this licence was granted; and sub-sections (2) and (4) to (6) of Section 416 of the Income and Corporation Taxes Act 1988 shall apply for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, but at any time should no person have control then for the words "the greater part" wherever they occur in the said sub-section (2) there shall be substituted the words "one-third or more".

SCHEDULE 4

Licensee's Development Plan

1. **Development of the Network**

The Licensee shall act to develop the Network and each element of the Network with all reasonable diligence so as to have installed and brought in to operation no later than the twelfth anniversary of the Grant a system of distribution pipelines readily capable of serving all reasonable demands for the offtake of gas in the districts set out in Annex 1 to this Schedule 4, and in any event:

(a) the Licensee shall commence the installation of distribution pipe-lines in each district no later than the infill start date for that district shown in Annex 1 to this Schedule 4;

(b) the Licensee shall subject to sub-paragraphs (d) and (e) below instal and bring into operation or make readily capable of being brought into operation distribution pipe-lines such that not less than ninety per cent of premises then in a district may be readily connected to the Network no later than the infill date for that district, which shall be a date five years after the infill start date for that district shown in Annex 1 to this Schedule 4;

(c) the Licensee shall subject to sub-paragraphs (d) and (e) below instal and bring into operation or make readily capable of being brought into operation distribution pipe-lines such that not less than ninety per cent of the cumulative annual total number of premises (excluding Larne) in the Licensed Area in any year shown in Annex 1 to this Schedule 4 may be readily connected to the Network by the end of that year for each year commencing on 1st January 1997 and ending on the 31st December 2008;

(d) in determining whether the Licensee has succeeded in its obligations under sub-paragraphs (b) and (c) above there shall be excluded from the number of occupied premises in the district or the Licensed Area as the case may be the number of such premises owned by the Northern Ireland Housing Executive (the "Executive") or any housing association in Northern Ireland, which had not by the end of the relevant period been adapted for the consumption of gas in the relevant

district or Licensed Area as the case may be, and which the Licensee had been advised by the Executive and/or a housing association would not be so adapted;

(e) in further determining whether the Licensee has succeeded in its obligations under sub-paragraphs (b) and (c) above the Licensee shall be treated as having fulfilled its obligation if it had succeeded in respect of all but ten (or less) per cent of the stated percentage of numbers of premises identified by those sub-paragraphs; and

(f) where the Licensee has not succeeded in making the number of premises provided for in paragraph (c) above readily connectable to the Network in any year, then for the purposes of Condition 2.2.3(a) the Licensee may cease to be exclusively entitled to convey gas in those districts in which in that year it did not make readily connectable the number of premises indicated in Annex 1 to this Schedule 4;

and for the purposes of this Licence Document:

(g) the Licensee's obligations under sub-paragraphs (a), (b) or (c) may otherwise be referred to as development targets; and

(h) the Licensee shall be deemed to have installed and brought into operation a system of distribution pipe-lines readily capable of serving all reasonable demands for the offtake of gas in the districts set out in Annex 1 to this Schedule 4 if it has met all its development targets.

2. **Development of the Market**

The Licensee shall act to encourage the rapid and extensive development of the market for gas supplies in the Licensed Area ~~and shall with respect to the premises which are the subject of Condition 3.2.2 (and for the periods during which the Licensee may supply exclusively those premises), act so as to compete effectively in so far as is reasonably practicable with alternative fuel supplies for those premises~~.

3. **Revising the Licensee's Obligations to Develop the Network**

At the request of the Licensee the Authority shall revise any date referred to in paragraph 1(a), (b) or (c) of this Schedule 4 to a later date reasonably appropriate in all the circumstances:

3.1 if it is reasonably satisfied that exceptional circumstances which could not have been reasonably foreseen by the Licensee had prevented, or could reasonably be expected to prevent, the Licensee in achieving the installation and bringing into operation of the relevant pipe-line(s);

3.2 as the Licensee and Authority may agree and in respect of any infill start date the Authority may not withhold its agreement to revising that date for a later date provided that another district or other districts with a similar or greater number of occupied premises in aggregate with later infill start dates have those dates revised to no later than the original infill start date for the first district; or

3.3 if it is reasonably satisfied that by reasons of statutory process that could not have reasonably been further expedited or avoided by the Licensee, the Licensee had been delayed in installing and bringing into operation the relevant pipe-lines.

and for the purpose of sub-paragraph 3.1 above exceptional circumstances shall not include the availability of funds to the Licensee whether or not foreseeable.

4. **General Development Plan**

Without prejudice to the generality of the foregoing provisions of this Licence Document the Licensee shall in good faith pursue the general objectives of the General Development Plan set out in Annex 2 to this Schedule 4.

5. **Additional Definitions**

Readily connected in relation to premises means premises whose curtilage is within 50 metres of a distribution pipe-line.

6. Revision of dates

Where by virtue of the provisions of this Schedule 4 any date is revised then the revised date shall be applied for the purposes of this Licence Document.

SCHEDULE 4

ANNEX 1

Premises in Licensed Area

District Number	District Name													
		1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**Total**
1	Carrickfergus			2391*	2293	1639	1317	1870						9510
2	Newtownabbey		3147*	4199	5569	4248	199			2960	2961			23283
3	North & West Belfast	6819*	14956	14741	13644	14312								64472
4	Duncrue	721*												721
5	South Belfast	4879*	1655	6342	6128	7556								26560
6	Lisburn						5338*	5686	6237					17261
7	East Belfast						9385*	9746	9793	6759				35683
8	Carryduff & Castlereagh									6577*	5377	5766	5183	22903
9	Newtownards										4502*	3420	5069	12991

10	North Down							4990*	5654	5655	6834	5532		28665
11	Harbour					353*								353
12	Larne		557*	1801	1784	926	1038							6106
	Annual Total incl Larne	12419	20315	29474	29418	29034	17277	22292	21684	21951	19674	14718	10252	248508
	Cumulative Annual Total (exc Larne)	12419	32177	60407	89842	119734	136899	160229	181913	203864	223538	238526	248508	242402
	Cumulative Annual Total (inc Larne)	12419	32734	62208	91626	120660	137937	166229	181913	203864	223538	238526	248508	248508

* infill start date for the relevant district shall be no later than 31st December of that year shown in the column heading

SCHEDULE 4

ANNEX 1 (CONTINUED)

1. For the purposes of the table in this Annex 1 the numbers of premises stated are based on census and other public information available at the date of the Grant and these numbers shall be revised by the Licensee with the agreement of the Authority where more accurate information as to the numbers of occupied premises in the Licensed Area and the districts becomes available.

2. With the consent of the Authority the Licensee may revise the number of premises attributed to any district in any one year under the table in this Annex 1 and the Authority may not withhold its consent to such a revision if the cumulative total number of premises in that year shown in Table 1 remains unchanged or becomes greater.

SCHEDULE 4

ANNEX 2

Development Plan

This development plan for a natural gas industry in Northern Ireland has been prepared by the Licensee. The Licensee is at the date of the Grant a wholly owned subsidiary of British Gas plc (BG) but without prejudice to the foregoing provisions of this Licence Document it is intended that the Licensee will become a joint venture company.

The plan has been constructed based on the strengths of BG, which will be enhanced by the strengths of partners:

benchmark standards of health, safety and care for the environment in all aspects of the gas conveyance, storage and supply (including utilisation) business.

first class engineering skills in the design, construction, planning, operation, control and maintenance of gas transmission, storage and distribution systems.

fuel marketing expertise in highly competitive markets including appliance retailing and customer service operations and standards.

financial strength.

understanding and working with the implications of long term investments and returns.

international professional project management skills in capital intensive schemes.

gas purchase and supply matching and contracting.

modern metering and billing techniques.

technical know-how in all types of gas utilisation including CHP ensuring highest thermal efficiencies and safety.

employment and training of local employees.

operating in a developing regulatory regime.

experience in comprehensive customer care charters and working with consumer organisations.

research and technology back-up including strong links with Queens University Belfast.

commitment to ensuring equal opportunities for all.

To these ends the Licensee will develop an efficient and economic gas industry in accordance with this plan. Natural gas will bring major benefits to Northern Ireland in terms of the environmental, local employment, energy efficiency and in providing fuel choice.

The plan takes account of the potential for supplies to consumers in other areas of the Province. It will enable gas dependent industries, ie both those providing a service to a gas industry and those industries which can only operate with gas, to be established and it will attract industries from abroad which have experience of using natural gas and for whose processes natural gas is the preferred fuel.

The plan assumes the construction initially of a new 600mm diameter high pressure pipeline from Ballylumford to Torytown near Belfast and later an extension across to the south side of Belfast Lough. This will be used to introduce gas to the old gas distribution system throughout the Greater Belfast Area which will be refurbished on a phased basis. The Licensee intends to enter into arrangements to acquire the old system under a statutory transfer scheme made under the Gas (Northern Ireland) Order 1996.

It is intended to have the first gas flowing (subject to the granting of licences to convey and supply gas) by late 1996 to industry and commerce. Supplies to the residential sector would commence early in 1997.

1. Introduction

This development plan has been produced by the Licensee. The Licensee has all the skills needed to ensure an ongoing safe and economic scheme which will bring the advantages of choice, increased competition, convenience and environmental improvements to Northern Ireland energy consumers. The plan concentrates on the provision of natural gas in Greater Belfast and Larne although it does not preclude the Licensee pursuing developments elsewhere either simultaneously or in due course as the gas network expands.

2. Company Structure

The Licensee has been set up by BG. BG will shortly enter into joint venture arrangements with other parties. This will have the purpose of achieving the optimal development of a natural gas industry based on best managerial, operational, technical and financial practices represented by the strengths of the individual shareholders. In order to implement this development plan the Licensee has been incorporated as a private limited company in Northern Ireland. It is intended that each of the shareholders will employ and provide relevant resources to produce and implement the long term development plan for the Licensee and for the industry.

The Licensee will employ local people where possible and appropriate, while complying with Northern Ireland employment legislation. The Licensee and its contractors will provide training to ensure that all required standards are properly met.

3. Market and Infrastructure Development

The development of the natural gas market is based on market research and on experience of market development in similar situations in Great Britain when offering natural gas as an alternative fuel in areas outside the existing gas supply area. The rate of expansion of the pipelines is designed so as to provide system integrity and safety while meeting market needs in an optimal economic manner. The rate is capable of rapid adjustment to meet changing market needs.

4. Organisation

4.1 General

The Licensee will use best available technology and innovative arrangements with contractors and suppliers to make best use of existing and local resources to achieve the construction of a complex distribution system along with the installation of gas equipment and related services.

4.2 Engineering Work

Contractual arrangements have been designed to meet the operational requirements of the project in the most optimal way. The advantages of long term relationships between the contracting parties are being harnessed to allow contractor involvement at an early stage and to help in the mobilisation of both management and labour.

Wherever possible the low pressure mains and services work will be carried out by local personnel, trained to the required level of competence.

4.3 Control and Emergency Services

The safe operation and maintenance of the system will be the first priority of the Licensee. The system will be constantly monitored by electronic sensors at district pressure reduction sites and other key locations on the system, and the information will be relayed to a central "grid control" and emergency service site. The centre will have the responsibility of dealing with gas escapes and other emergency procedures.

Whilst the majority of this work will be carried out by fully approved contractors, a small core team of specialists will be retained to maintain essential pressure control equipment and provide support to the emergency service. Professionally qualified and experienced engineering staff will be employed to co-ordinate non-routine operations involving "live gas" remedial works and to provide a call out service when required.

4.4 Metering

Advanced metering systems such as the Quantum system and Automatic Meter Reading (AMR) are now in widespread use in Britain and the Licensee wishes to adopt this technology where appropriate. Quantum is a smart card system providing for payment

through local Post Offices, shops, etc in advance of gas consumption. This system allows consumers to budget for their gas supplies and can minimise the occurrence of debt and reduce the need for reading visits into houses.

AMR systems are available based on the new ultrasonic meter which is much smaller than the traditional design. For these meters there will be limited need for meter reading visits although visits will still be required to respond to "flags" indicating meter tampering and other warnings such as those indicating the need to change batteries.

All systems require some specialist skills which will be provided by the Licensee for the initial installation and subsequent training of personnel for maintenance and operation.

4.5 **Domestic Customer Service**

Installation work in customers premises is a specialist area. The registration scheme for gas installers (Confederation of Registered Gas Installers CORGI) in Northern Ireland is welcomed by the Licensee to facilitate the development of a pool of contractors qualified to work on natural gas which will be used as a resource for the industry.

The arrival of CORGI in Northern Ireland, on-going work between the Licensee and local training agencies and the establishment of an Approved Installers List (AIL) will minimise the risk to the public from incompetent installers.

4.6 **Industrial and Commercial Service**

Specialist skills will be required in the industrial and commercial sectors both for installation and conversion work. Links with existing burner suppliers and equipment manufacturers will be built upon to ensure a quality service to customers which will include:

(a) assistance in the design and installation of new plant to take advantage of the latest fuel management and gas engineering utilisation techniques;

(b) survey of existing plant, with detailed reports and recommendations on conversion requirements and costs, likely efficiency and performance improvements and reduced maintenance and service costs;

(c) design of plan and controls to meet the regulations and Codes of Practice applicable at the time; and

(d) the introduction of advanced technology, and the re-design or modification of plant to improve efficiency and increase productivity.

5. **Training**

As there has been no gas industry in Northern Ireland for many years, there are limited resources readily available for natural gas related engineering and installation works. To build a successful gas industry in Northern Ireland will require a highly skilled and competent work-force. The Licensee will encourage the employment of local people and ensure that the necessary training and assessment is available. The company is in liaison with the Training and Employment Agency (TEA) and using local training providers or Colleges of Further Education in the Belfast area to provide the necessary skills training.

Construction of the distribution system will be undertaken by established gas contractors. An approved training scheme based on National Vocational Qualification Levels II/III is currently being prepared. All operatives will undergo a pre-start assessment of competence and induction training. Safety training is regarded as an integral part of the project and this will be reflected throughout the life of the project.

For engineering, established contractors will provide for assessment of personnel. A joint Society of British Gas Industries (SBGI)/CITB/BG approved training scheme is currently being planned. All teams will undergo an assessment of competence by the Licensee's management in the three main areas of gas safety, polyethylene pipe fusion and reinstatement.

Installers will be required to be CORGI or equivalent registered. In addition those installers who wish to join the Approved Installers List (AIL) will be required to be proven competent in additional ACOP modules including energy efficiency, system controls, gas fire, and gas fire with backboiler installation. AIL installers will be assessed by the training provider eg TEA for competence including initial CORGI registration as well as the additional modules required to join the AIL. Depending on the results of this assessment further training and assessment will be undertaken.

Joint training for emergencies involving management, service and engineering personnel will be undertaken prior to gas being supplied.

Note: (does not form part of the Licence)

Consolidated to take account of following modifications:

1. Licence fee modification - March 1999 - (no copy of modification letter)

2. Transmission Forecast Review Modification - Date not known

3. EU Directive 98/30 - April 2003

4. Energy Order 2003 Modifications - 1st set - September 2003

5. Energy Order 2003 Modifications - 2nd set - April 2004 - (signed copy of modification letter)

6. Postalisation Modifications - October 2004 -(signed copy of modification letter)

7. Addition of Condition 2.13 and modification of Condition 2.7 – November 04 – (signed copy of modification letter)

8. Supply exclusivity extension in Schedule 2 – January 05 – (signed copy of modification letter)

9. Development Plan Targets – Annex 1 to Schedule 4 – 6 October 2005 (signed letter).

10. Licence Extension (Schedule 1) to include 'convenience customers' and associated modifications to Conditions 1.1.6 and to Condition 2.2 – 15 March 2006 (signed notice).

11. Modifications to Postalisation Conditions – 23 June 2006 (signed modification letter)

12. Licence Extension (re conveyance licence only) to include Temple Quarry – 5 July 2007 (signed extension letter)

13. Modifications to Condition 2.3A Conveyance Charges – 2 August 2007 (signed modification letter)

14. Licence Extension to include Comber electoral wards – 24 September 2007 (signed extension letter

15. Licence Modifications by DETI to amend distribution-exclusivity over Temple Quarry and Comber electoral ward areas – (signed modification letter/notice from DETI)

16. Licence Modifications to implement EU Directive 2003/55/EC – 16 November 2007 (signed modification notice)

17. Licence Modifications to implement EU Directive 2003/55/EC - (revocation of the Supply section (Part 3) and amend Parts 1 and 2 of Licence Document to remove references to supply and transmission.