

Modifications to Gas Conveyance Licences to Ensure European Compliance

Decision Paper

14 April 2016



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

This paper sets out the final decision on modifications to gas conveyance licences to further the implementation of European requirements.

These include the implementation of the forecasting party arrangements in the Balancing Code, gas agreements between licensees, and changes to Part 2A of the high pressure conveyance licences.

Audience

All gas conveyance licence holders, gas supply licence holders, and other key stakeholders.

Consumer Impact

The licence changes are necessary to ensure compliance and deliver the benefits to customers envisaged by the third energy package. The Forecasting Party changes will facilitate industry co-operation in the delivery of the Balancing Code. The gas agreements condition provides a regulatory oversight into compliance issues, while Part 2A licence changes help shippers predict their end of year reconciliation payments.

Licence Modifications to Ensure European Compliance

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Acronyms and Definitions

Term	Description
ACER	Agency for the Co-operation of Energy Regulators.
BGE	Bord Gáis Eireann.
BGE (UK)	Transmission company now know as GNI (UK).
BGTL	Belfast Gas Transmission Limited.
CER	Commission for Energy Regulation – regulatory authority in RoI.
EC	European Commission.
GDNs	Gas Distribution Networks and means PNGL, firmus and SGN.
GNI	Gas Networks Ireland.
GNI (UK)	Gas transmission company formerly known as BGE (UK).
NBP	National Balancing Point.
NIAUR	Northern Ireland Authority for Utility Regulation – also known as the Utility Regulator (UR).
NIEH	Northern Ireland Energy Holdings.
NTS	National Transmission System.
NWP	North West Pipeline.
PNGL	Phoenix Gas Distribution Ltd.
PTL	Premier Transmission Limited.
RoI	Republic of Ireland.
SGN	Scotia Gas Networks Northern Ireland Ltd (trading as SGN Natural Gas).
SNP	South-North Pipeline.
TA	Transportation Agreement.
TSO	Transmission System Operator.
UR	Utility Regulator – regulatory authority in Northern Ireland.
WTL	West Transmission Limited.

1.0 Introduction

1.1. Purpose of this Paper

1.1.1 This paper sets out the decisions regarding modifications to gas conveyance licences to ensure ongoing compliance with Regulation (EC) 715/2009 (the Gas Regulation).

1.1.2 The paper covers four areas:

- a) Implementation of Forecasting Party arrangements between PTL and the GDNs. PTL has been designated as the Forecasting Party by the Utility Regulator (UR) as provided by Regulation (EU) No 312/2014 (the Balancing Code). This is explained in section 2.
- b) Implementation of gas agreements by high pressure gas licensees required to ensure compliance with a European Network Code or a binding decision of the European Commission or ACER. This is set out in section 3.
- c) Modification of the PTL licence to provide for UR approval of changes to the Transportation Agreement (TA) or any new agreement for the same purpose. These changes are explained in section 4.
- d) Modifications to Part 2A of the high pressure gas licences. This requires the licensees to provide quarterly data on capacity booked to network users. It also includes changes to allow the UR to modify forecast capacity figures if it considers that the figures submitted should be altered where evidence suggests it appropriate to do so. This change is explained in section 5.

1.1.3 Responses to the consultation are published alongside this decision paper.

2.0 Forecasting Party

2.1. Introduction

- 2.1.1 This modification will add a new condition, *Forecasting Party Agreement*, into each of the affected licences.
- 2.1.2 The change will require each licence holder to enter into an agreement that will facilitate the designated forecasting party¹ in discharging its duties as set out in the Balancing Code.
- 2.1.3 The condition will be included in the licences of:
- a) Premier Transmission Limited (PTL);
 - b) Firmus Energy (Distribution Limited);
 - c) Phoenix Natural Gas Limited; and
 - d) Scotia Gas Networks Northern Ireland Ltd.

2.2. Change and Effect

- 2.2.1 Many of the provisions of the Balancing Code have been implemented through the established network code modification process. However the UR was required to make a number of additional non network code determinations.
- 2.2.2 Amongst these was the designation of PTL as the 'Forecasting Party'. The 'Forecasting Party' will be responsible for providing the Transmission System Operator (TSO) with estimates of each network users off take at Non-Daily Metered (NDM) supply points.
- 2.2.3 To ensure that appropriate contractual arrangements are put in place, we determined that PTL and all the GDNs would have their licences modified to make it a duty to co-operate with the other parties so that all groups meet their licence requirements. The changes put this duty to into effect.
- 2.2.4 The purpose of the condition is threefold:
- 1) Requires that the licence holder enters into a Forecasting Party Agreement with other relevant licence holders to facilitate the designated forecasting party to comply with its duties;

¹ Premier Transmission Limited (PTL).

- 2) Requires that the Forecasting Party Agreement is approved by the UR before coming into force; and
- 3) Requires that the Forecasting Part Agreement is periodically reviewed.

2.2.5 The condition will facilitate compliance with Regulation (EU) No 312/2014.

2.3. Responses and Decision

2.3.1 Four responses to the consultation were received. SGN, GNI (UK) and Mutual Energy (MEL) have no objections to the condition.

2.3.2 Firmus Energy stated that they supported the aim of the modification, but raised a number of specific issues. In particular they had a concern:

“as to the prescriptive nature of the proposed additions to our Licence and regarding the obligations being placed on firmus energy which are reliant on third party cooperation and compliance”.

2.3.3 With regard to the concern expressed, the UR was clear in the consultation that these are *“reciprocal licence conditions between PTL on the one hand and the three GDNs on the other hand”*.

2.3.4 Their purpose is to, *“place a duty on the licence holders to co-operate by means of a formal contractual agreement”*. However, the condition does not prescribe the form or content of the Agreement. Furthermore UR oversight and dispute resolution processes are envisaged, all of which should provide comfort to the parties involved.

2.3.5 In addition, the company suggested minor drafting changes such that the UR should act reasonably with respect to the Forecasting Party Agreement.

2.3.6 We consider that these changes are unnecessary. The licence is designed to regulate licensee activities, not those of the UR. The regulator is separately subject to governance arrangements which ensure that it acts in a reasonable and non discriminatory manner.

2.3.7 Our decision is to amend the licences in line with the consultation document drafting. Final text is provided in Annex 1 of this decision paper.

3.0 Contract Approval for Gas Agreements

3.1. Introduction

- 3.1.1 This modification will add a new condition to the high pressure gas conveyance licences which requires the licensees to enter into agreements when asked to do so by gas transporters to ensure ongoing European compliance.
- 3.1.2 The condition will be included in the licences of:
- 1) GNI (UK);
 - 2) Premier Transmission Limited (PTL);
 - 3) Belfast Gas Transmission Limited (BGTL); and
 - 4) West Transmission Limited (WTL).

3.2. Change and Effect

- 3.2.1 European network codes are still under development. Future requirements may involve changes to licence conditions or the licensee's network codes. Both of which are subject to regulatory oversight and approval.
- 3.2.2 However, there may be occasions when compliance is achieved through third party agreements. In these instances the UR considers it necessary to have a monitoring and approval role for such contracts.
- 3.2.3 The purpose of the condition is to ensure that where European compliance is to be achieved by means of third party agreements, these contracts have appropriate regulatory oversight.
- 3.2.4 This condition covers any agreement which may be required by another gas transporter for compliance with the following:
- European network codes;
 - Any binding decision of ACER (Agency for the Co-operation of European Regulators); and
 - Any binding decision of the European Commission (EC).
- 3.2.5 The new condition will involve the high pressure gas conveyance licensees entering into agreements where reasonably required. The drafting states that

any new agreements or changes to existing contracts will require regulatory approval. It also provides for licensees to comply with any direction issued by the UR with respect to such agreements.

3.3. Responses and Decision

- 3.3.1 Two responses addressed this condition specifically.
- 3.3.2 GNI (UK) queried whether it was needed at all given their legal obligation to comply with binding European decisions.
- 3.3.3 The company is correct as regards their legal duties. However, the UR requires vires to ensure ongoing compliance, particularly where the compliance with legal obligations is by means of an agreement.
- 3.3.4 MEL considered the drafting to be 'one-sided'. They argued that the condition should require agreements to be entered only where mutually agreed by the licensee and the gas transporter. MEL therefore proposed licence changes to this effect.
- 3.3.5 The UR has carefully considered the amendment proposed by MEL. In the original drafting a gas transporter can only request the licensee enter an agreement where it is reasonably required to ensure European compliance. As such, the licensee has grounds not to enter contracts where this is not the case. In this respect the draft is not thought to be 'one-sided'.
- 3.3.6 We also consider that the proposed MEL drafting limits the UR's ability to ensure compliance where the parties do not concur that an agreement is necessary but do nothing else to achieve compliance.
- 3.3.7 The response also noted the intention not to apply the condition to GDNs. However, MEL pointed out that the definition of 'gas transporter' includes the GDNs as it encompasses all conveyance licensees.
- 3.3.8 The company is correct that the definition of 'gas transporter' should not include GDNs. The definition has been revised to correct this (as highlighted in yellow in Annex 2).
- 3.3.9 The new condition is not proposed for GDN licences. However, this may be reconsidered in future depending on how European network codes are drafted and whether they place obligations on the GDNs.
- 3.3.10 Our final decision is to amend the licences in line with the consultation document, with one exception. The definition of gas transporter has been revised accordingly.
- 3.3.11 Final text is provided in Annex 2 of this decision paper.

4.0 PTL Transportation Agreement

4.1. Introduction

- 4.1.1 The Transportation Agreement (TA) is an accord between PTL and GNI (UK). This affords PTL a capacity reservation in the GNI (UK) pipeline between Moffat and Twynholm.
- 4.1.2 The TA is extremely important for the NI gas industry as it facilitates direct access for NI to the National Balancing Point (NBP) in GB. It has done so since the Scotland-Northern Ireland Gas Interconnector (SNIP) was brought into operation in the mid-1990s.
- 4.1.3 Changes to the TA are approved by Ofgem under the Interconnector licence it has granted to PTL. However, current licence conditions do not allow the UR to have a formal role in the amendment of this document.
- 4.1.4 The present arrangements in the TA are scheduled to end in 2021 and are currently being renegotiated. This licence change will provide the UR with regulatory oversight for the renegotiation and any subsequent changes.
- 4.1.5 The new condition will only be included in PTL's licence.

4.2. Change and Effect

- 4.2.1 The TA is not captured in the current licence but it is a key document which underpins NI's direct access to the NBP market in GB and PTL's compliance with European network codes.
- 4.2.2 As a result, the TA merits a special condition within the PTL licence. The arrangements for access to the GB market are in turn reflected in the PTL code of operations which the UR approves.
- 4.2.3 The new condition is similar to the arrangements currently in place for interoperability agreements (condition 2.4A). The condition requires PTL to:
 - a) Review the TA from time to time;
 - b) Submit amendments to the UR for approval; and
 - c) Comply with any direction issued by the UR.

4.3. Responses and Decisions

- 4.3.1 Two responses were received concerning this condition. MEL had no objection. GNI (UK) noted that the TA is approved by Ofgem. Whilst they raise no specific opposition, the company did state the following:

“More detail is required on how this proposed Licence modification would work from a Licence jurisdiction perspective.....There are inter-jurisdictional arrangements in place between the three TSOs and Regulator Authorities, whereby Ofgem, the Utility Regulator and the CER currently have oversight of amendments to this agreement.”

- 4.3.2 It is correct that oversight does exist, but only on an informal basis, which the UR does not believe is sufficient. The condition is necessary to further our statutory duties, specifically the maintenance of an efficient, economic and coordinated gas industry consistent with Article 40 of the Gas Directive and ultimately to ensure the protection of customers in NI.
- 4.3.3 This is so because the TA is of intrinsic importance to the conveyance of gas to NI and impacts on activities that the UR regulates. This includes the conveyance of gas by PTL and the implementation by PTL of European requirements such as the EU network codes.
- 4.3.4 In addition, Article 10(1)(a) of the Gas Order provides that licence conditions do not necessarily have to relate only to the activities authorised by the licence.
- 4.3.5 Our decision is to amend the PTL licence in line with the consultation document. Final text is provided in Annex 3 of this decision paper.

5.0 Part 2A Licence Changes

5.1. Introduction

- 5.1.1 Part 2A in the high pressure gas conveyance licences provides (among other things) for:
- a) The calculation of forecast postalised tariffs;
 - b) Year end actual tariffs; and
 - c) The reconciliation of the postalised PoT at the end of the gas year.
- 5.1.2 The UR wish to ensure that the information feeding into the forecast tariff calculation is as accurate as possible and that network users are provided with information on actual capacity booked during the year. The modification aims to achieve both these objectives.
- 5.1.3 Changes apply to all high pressure gas conveyance licences.

5.2. Change and Effect

Amending capacity forecasts

- 5.2.1 In advance of the gas year, forecast commodity and capacity charges are calculated using forecast figures. It is important to ensure that these forecasts are as accurate as possible.
- 5.2.2 The difference between forecast and actual year end tariffs will determine the size of the bullet payment. Therefore, it is important to ensure that the forecast figures feeding into the tariff calculation are as accurate as possible.
- 5.2.3 Part 2A currently provides that the UR may change the commodity forecasts where considered appropriate. However, there is no corresponding ability to change the capacity forecast.
- 5.2.4 In this context, it is important that the UR has the same powers to review and alter forecasts for commodity and capacity. The changes provide for such regulatory action.
- 5.2.5 There are risks involved in changing the figures for either capacity or commodity. However, the UR would only take this step where the evidence suggests this to be reasonable.

Provision of actual capacity figures during the gas year

- 5.2.6 It is important that network users are provided with data on actual figures (capacity and commodity) during the gas year. This allows them to have some forewarning about the likelihood of an end of year bullet payment.
- 5.2.7 During the gas year network users are currently provided with information on actual commodity booked. This assists them in understanding any deviations from forecast commodity figures which would impact on the end of year reconciliation. However, no data on actual capacity booked must be provided.
- 5.2.8 The UR considers that suppliers should be provided with information on actual capacity booked during the gas year e.g. when the ratchet mechanism is triggered or shorter duration capacity is booked at entry points compared to forecast. Suppliers can use this information to predict the likelihood of an end of year bullet payment and plan accordingly.
- 5.2.9 The modification would therefore ensure that high pressure gas licence holders provide suppliers with quarterly information on the total amount of capacity booked at entry and exit in the relevant quarter for each capacity product.

Tidy-up changes to Part 2A

- 5.2.10 The modification also includes a number of tidy-up changes to Part 2A to correct sub-paragraph numbers in condition 2A 2.1.13 and an incorrect cross reference in 2A 2.1.16. There is also an amendment to 2A 2.5.4(a) so that forecast charges are rounded to 7 decimal places rather than 5. This will align the rounding for capacity and commodity charges.

5.3. Responses and Decision

- 5.3.1 Two responses were received in relation to Part 2A changes. GNI (UK) was supportive of accurate forecasting and the provision of quarterly capacity data to shippers.
- 5.3.2 MEL raised no objections to the two principal changes. They did however state the following:

“MEL would welcome clarification that the forecast capacity figures cannot be less than the booked level of annual capacity. This is an important point as the adjustment of these forecasts [has] an impact on the tariff and subsequently revenue recovery. Whilst we consider the risk of this occurring as very low.....we request that this point is drafted explicitly within the licence text.”

- 5.3.3 The UR agrees with MEL that the forecast capacity in the tariff calculation should not be less than the level of booked annual capacity. Reducing the forecast below the level of booked capacity would be illogical and therefore would not be a rational decision for the UR to make. Accordingly it is not considered necessary to specify this rule in the licence condition.

- 5.3.4 Our decision is to amend the licences in line with the consultation document. Final text is provided in Annex 4 of this decision paper.

6.0 Conclusion

6.1. Next Steps

- 6.1.1 This paper represents the UR's final decision on licence changes to facilitate European compliance. The revisions will take effect 56 days² from the date of this publication.
- 6.1.2 The modifications will become effective on the 9 June 2016.

² This figure is dependent upon no challenges to the modifications being made.

Annex 1- Forecasting Party Licence Modifications

Modifications to Firmus, Phoenix and Scotia Licences

Condition XX Forecasting Party Agreement

General Duty

XX.1 The Licensee shall, in conjunction and co-operation with all other distribution system operators and the Forecasting Party, prepare, enter into, maintain in force and comply with, an agreement that:

- (a) is designed to facilitate the achievement of the objectives set out in paragraph 2 (the **relevant objectives**); and
- (b) makes provision relating to the matters set out in paragraph 3 (the **relevant matters**),

(the **Forecasting Party Agreement**).

XX.2 The relevant objectives are:

- (a) the efficient discharge of the obligations imposed on the Forecasting Party in its capacity as the person designated by the Authority as a forecasting party for the purposes of the EU Regulation;
- (b) the provision of timely and accurate Non Daily Metered offtake forecasts to Network Users for the purpose of minimising imbalance charges as calculated under and in accordance with the Forecasting Party's Network Code.

XX.3 The relevant matters are :

- (a) such matters as are requisite for the enjoyment and discharge of the rights and obligations of the Forecasting Party as set out in EU Regulation:
- (b) the provision of timely and accurate forecasts, from each distribution system operator to the Forecasting Party, of gas offtake data in respect of each Non Daily Metered Off take on its distribution system.

XX.4 The Forecasting Party Agreement:

- (a) shall provide for any disputes between the parties relating to proposed revisions to the Forecasting Party Agreement to be referred to the Authority for determination; and
- (b) may provide for there to be referred to the Authority for determination such additional matters arising under the Forecasting Party Agreement as may be specified in the Forecasting Party Agreement.

XX.5 The Licensee:

- (c) shall, in conjunction with all distribution system operators and the Forecasting Party, submit the Forecasting Party Agreement to the Authority by a date to be determined by the Authority in consultation with the relevant parties ; and
- (d) shall not enter into a Forecasting Party Agreement which is not approved by the Authority.

Review of the Agreement

XX.6 The Licensee shall, periodically, or at any time on the receipt of a request from the Authority to do so, review in conjunction and cooperation with all other distribution system operators and the Forecasting Party, the Forecasting Party Agreement and its implementation to:

- (a) ensure that it meets the requirements of this Condition XX; and
- (b) to consider whether any alternative agreement would better achieve those requirements.

XX.7 Following any such review, the Licensee shall, in conjunction with all other distribution system operators and the Forecasting Party, send to the Authority:

- (a) a report on the outcome of the review;
- (b) any revisions which the parties agree should be made to the Forecasting Party Agreement (having regard to the outcome of the review); and
- (c) details of any matters (including proposed revisions) in respect of which the parties are in disagreement (which matters may be referred to the Authority for

determination in accordance with the terms of the Forecasting Party Agreement as provided for by paragraph 4).

Revision of the Agreement

- XX.8 Any revision to the Forecasting Party Agreement that is agreed by the parties shall require the Authority's approval before it may be made.
- XX.9 The Licensee shall procure that no modification, amendment or variation is made to the Forecasting Party Agreement without the prior approval of the Authority.

Definitions

- XX.10 In this Condition:

EU Regulation	means Commission Regulation (EU) No. 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.
Forecasting Party	means Premier Transmission Limited, the legal entity designated by the Authority on 17 September 2015 as the forecasting party for the Northern Ireland balancing zone, pursuant to Article 39(5) of the EU Regulation.
Forecasting Party Network Code	The Premier Transmission Limited Transportation Code
Network User	Any party holding a Gas Supply Licence who is a signatory to the Premier Transmission Limited Transportation Code
Non Daily Metered Offtake	Has the meaning given to that term in Commission Regulation (EU) No. 312/2014

Modifications to Premier Transmission Limited Licence

Condition XX. Forecasting Party Agreement

General Duty

XX.2 The Licensee shall, in conjunction and co-operation with all distribution system operators, prepare, enter into, maintain in force and comply with, an agreement that:

- (a) is designed to facilitate the achievement of the objectives set out in paragraph 2 (the **relevant objectives**); and
- (b) makes provision relating to the matters set out in paragraph 3 (the **relevant matters**),

(the **Forecasting Party Agreement**).

XX.3 The relevant objectives are:

- (a) the efficient discharge of the obligations imposed on the Licensee in its capacity as the person designated by the Authority as a forecasting party for the purposes of the EU Regulation (the **Forecasting Party**);
- (b) the provision of timely and accurate Non Daily Metered offtake forecasts to Network Users for the purpose of minimising imbalance charges as calculated under and in accordance with the Licensee's Network Code.

XX.4 The relevant matters are :

- (c) such matters as are requisite for the enjoyment and discharge of the rights and obligations of the Licensee in its capacity as the Forecasting Party as set out in EU Regulation:
- (d) the provision of timely and accurate forecasts, from each distribution system operator to the Licensee in its capacity as the Forecasting Party, of gas offtake data in respect of each Non Daily Metered Offtake on that operator's distribution system.

XX.5 The Forecasting Party Agreement:

- (e) shall provide for any disputes between the parties relating to proposed revisions to the Forecasting Party Agreement to be referred to the Authority for determination; and
- (f) may provide for there to be referred to the Authority for determination such additional matters arising under the Forecasting Party Agreement as may be specified in the Forecasting Party Agreement.

XX.6 The Licensee:

- (a) shall, in conjunction with all distribution system operators, submit the Forecasting Party Agreement to the Authority by a date to be determined by the Authority in consultation with the relevant parties; and
- (b) shall not enter into a Forecasting Party Agreement which is not approved by the Authority.

Review of the Agreement

XX.7 The Licensee shall, periodically, or at any time on the receipt of a request from the Authority to do so, review in conjunction and cooperation with all distribution system operators, the Forecasting Party Agreement and its implementation to:

- (g) ensure that it meets the requirements of this Condition XX; and
- (h) to consider whether any alternative agreement would better achieve those requirements.

XX.8 Following any such review, the Licensee shall, in conjunction with all distribution system operators, send to the Authority:

- (i) a report on the outcome of the review;
- (j) any revisions which the parties agree should be made to the Forecasting Party Agreement (having regard to the outcome of the review); and
- (k) details of any matters (including proposed revisions) in respect of which the parties are in disagreement (which matters may be referred to the Authority for determination in accordance with the terms of the Forecasting Party Agreement as provided for by paragraph 4).

Revision of the Agreement

- XX.9 Any revision to the Forecasting Party Agreement that is agreed by the parties shall require the Authority's approval before it may be made.
- XX.10 The Licensee shall procure that no modification, amendment or variation is made to the Forecasting Party Agreement without the prior approval of the Authority.

Definitions

XX.11 In this Condition:

EU Regulation	means Commission Regulation (EU) No. 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.
Non Daily Metered Offtake	Has the meaning given to that term in Commission Regulation (EU) No. 312/2014

Annex 2 - Contract Approval Licence Modifications

Modifications to all High Pressure Gas Conveyance Licences

Condition XX – Compliance with European requirements

XX.1 The Licensee shall enter into such agreement as may reasonably be required by a Gas Transporter for the purposes of:

- (a) facilitating the Licensee's or the Gas Transporter's compliance with a European Network Code; or
- (b) giving full and timely effect to any relevant legally binding decision of the Agency or the European Commission which relates to the activities of the Licensee or the Gas Transporter.

XX.2 Where the Licensee is a party to an agreement:

- (a) entered into pursuant to paragraph XX.1; or
- (b) which relates to activities that fall within the scope of a European Network Code (or to activities connected to such activities),

the Licensee shall take such steps and do such things as are within its power to amend any such agreement as may be necessary from time to time to:

- (c) comply with the European Network Code;
- (d) give full and timely effect to any relevant legally binding decision of the Agency or the European Commission.

XX.3 The Licensee shall not enter into an agreement, or amend or agree to amend an agreement, to which it is party pursuant to the requirements of paragraph XX.1 or XX.2 unless:

- (a) the agreement or proposed amendment (as the case may be) has first been submitted to the Authority by the Licensee; and
- (b) the Authority has given its approval to the agreement or proposed amendment (as the case may be).

XX.4 The Licensee shall comply with any direction issued to it by the Authority requiring it to enter into an agreement, or to amend or agree to amend an agreement to which it is a party, for the purposes of:

- (a) facilitating compliance with a European Network Code;
- (b) giving full and timely effect to any relevant legally binding decision of the Agency or the European Commission relating to the conveyance of gas through pipe-lines or activities connected with the conveyance of gas through pipe-lines.

XX.5 In this Condition:

Agency	means the Agency for the Cooperation of Energy Regulators established by Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009.
European Network Code	means a network code adopted by the European Commission pursuant to or in accordance with Article 6 of Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks.
Gas Transporter	<p>means any person holding a high pressure licence granted (or treated as granted) under:</p> <ul style="list-style-type: none"> (a) Article 8(1)(a) of the Order and which is also a high pressure pipeline under Article 36(8) of the Order, (b) section 7 of the Gas Act 1986; (c) section 7ZA of the Gas Act 1986; or (d) section 16(1)(b) of the Gas (Interim)(Regulation) Act 2002.

Annex 3 – PTL Transportation Agreement Licence Modifications

Modifications to PTL licence

Condition XX – Gas Transportation Agreement

XX.1 This Condition applies where the Licensee is a party to the Gas Transportation Agreement.

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

- (a) review, from time to time and in conjunction with any other person that is a party to the Gas Transportation Agreement, the Gas Transportation Agreement with a view to determining, taking into account the operation of the Gas Transportation Agreement and the Licensee's obligations under this Licence, whether any amendment should be made to it;
- (b) amend the Gas Transportation Agreement as may from time to time be required to:
 - (i) reflect the outcome of a review conducted pursuant to paragraph XX.2 (a); or
 - (ii) comply with a direction issued by the Authority pursuant to this Condition XX; and
- (c) ensure that it does not amend, or agree to amend, the Gas Transportation Agreement unless:
 - (i) the proposed amendment has first been submitted to the Authority by the Licensee; and
 - (ii) the Authority has given its approval to the proposed amendment.

XX.3 In this Condition:

Gas Transportation Agreement	<p>means:</p> <ul style="list-style-type: none"> (a) the Transportation Agreement originally made on 21 August 1996 between BGE (UK) Limited and Premier Transco Limited, as amended or supplemented by any other agreements from time to time; and/or (b) any agreement which, whether in consequence of the expiry or termination of the agreement referred to in paragraph (a) or otherwise, is or is proposed to: <ul style="list-style-type: none"> (i) be entered into between all of the parties
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	<p>to the agreement referred to in paragraph (a); and</p> <p>(ii) include provisions which concern or relate to the same subject matter as the provisions in the agreement referred to in paragraph (a).</p>
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Annex 4 Part 2A Licence Modifications

Modifications to all High Pressure Gas Conveyance Licences

Changes proposed to definitions in 2A 1.1

<u>“Capacity Figures”</u>	<u>shall have the meaning ascribed to that term in Condition 2A.2.3.1(b);</u>
“Initial Firm Capacity”	means the total of all Firm Annual Capacity <u>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</u> and <u>the total</u> Firm Non-Annual Capacity <u>forecast to be</u> held by the Licensee’s Gas Suppliers in respect of <u>[the same]</u> a Gas Year; as at the last Business Day of June preceding such Gas Year;
<u>“Quarterly Capacity Quantities”</u>	<u>means for each Capacity Product the aggregate of Firm Annual Capacity or Firm Non Annual Capacity held by all Gas Suppliers in a Quarter;</u>

Changes proposed to section 2A 2.3 relating to forecast information

- 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) for each Capacity Product a breakdown in respect of each Entry Point and Exit Point of —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 figures for GY.~~
- (aa) An explanation of the reasons why any Initial Firm Capacity in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the Initial Firm Capacity in respect of GY;
- (bb) For each Non Annual Capacity Product a breakdown of the Initial Firm Capacity attributable to each Quarter of GY;
- (iv) the assumptions on which the figures provided pursuant to

Condition 2A.2.3.1(a)(iii) were based:

- (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”), and 2A.2.3.1(a)(iii) (the “Capacity 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 and the Capacity 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 and the Capacity 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
- a Initial Firm Capacity 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) or 2A.2.3.1(a)(iv) 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 and /or the Initial Firm Capacity figure, 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 and /or the Initial Firm Capacity figure 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.

Changes proposed to section 2A 2.3.3 relating quarterly information

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 no later than 10 Business Days after the end of each Quarter in a Gas Year 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~~

with a breakdown of the Quarterly Capacity Quantities by each Entry Point and by each Exit Point for the relevant Quarter.

(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) No later than [10] Business Days after the end of each Quarter in a Gas Year ~~t~~The Licensee shall provide to each PS Gas Supplier details of:

(i) 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; and

(ii) the aggregate sum of all Quarterly Capacity Quantities (whether in the form of a joint report or otherwise) in respect of each entry Point and each Exit Point on the Designated Network.

~~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.~~

OTHER TIDY UP CHANGES PROPOSED

- 2A 2.1.13 the bullets currently start at (c) and run to (g) but should start at (a) and run to (e)

- 2A 2.1.16 correct the cross references in this condition – it should read:

2A 2.1.16 ~~Without limiting Conditions 2A.2.1.7(a) and (b) to~~The charges referred to in Condition 2A.2.1.134(c) and 2A.2.1.156 shall, in respect of a Gas Year, not be subject to reconciliation or other adjustment on any ground.

- 2A.2.5.4(a) Amend so that forecast charges are rounded to 7 decimal places rather than 5 (this will align capacity and commodity rounding).