



Decision published pursuant to Article
14(8) of the Gas (Northern Ireland)
Order 1996

Modification of Gas Conveyance
Licence of West Transmission Limited

25th October 2021



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, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



Our mission

To protect the short- and long-term interests of consumers of electricity, gas and water.



Our vision

To ensure value and sustainability in energy and water.



Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



Abstract

This paper sets out the Utility Regulator's decision to modify the gas conveyance licence held by West Transmission Limited. The modifications will amend the processes for the determination of Actual Capital Expenditure. This will provide flexibility on the timing of the determination of Actual Capital Expenditure to ensure that final costs are well established at the time the final determination of actual expenditure is made.

Audience

This document will be of interest to the licence holder affected, consumers and consumer groups, other regulated companies with an interest in the energy industry and government.

Consumer impact

The modifications will allow the Utility Regulator to make a final determination of actual costs for Gas to the West when actual costs are well established. This will minimise the quantum of costs which might be confirmed after the determination and paid for as "*Capital Expenditure constituting Eligible Pass-Through Costs*". This will create greater tariff stability.



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Decision published pursuant to Article 14(8) of the Gas (Northern Ireland) Order 1996

In pursuance of its powers under Article 14(1) of the Gas (Northern Ireland) Order 1996 (as amended) (the "Gas Order") the Northern Ireland Authority for Utility Regulation (hereafter referred to as the Utility Regulator) hereby publishes in accordance with Article 14(8) its decision to proceed with the making of modifications to the various conditions of the gas conveyance licence granted to West Transmission Limited on 11th February 2015 (the "Licence")¹.

In accordance with Article 14(8) of the Gas Order:

1. Section 2 of this Decision Paper states how the Utility Regulator has taken account of any representations made to the notice published by it pursuant to Article 14(2) of the Gas Order, on 16th August 2021.
2. Section 2 of this Decision Paper also states the reasons for any differences between the modifications previously consulted on and the final text of the modifications set out in the Annexes to the Decision Paper.
3. Section 3 of this Decision Paper states the effects of the modifications.

The modifications shown in Annex 1 to this Decision Paper shall have effect from 20th December 2021.

Dated this 25th October 2021.

John French
Chief Executive
For and on behalf of the Northern Ireland Authority for Utility Regulation

¹ This is the licence granted to Northern Ireland Energy Holdings Limited on 11 February 2015 and last modified on 19 August 2019



1. Introduction

- 1.1 The Utility Regulator's principal objective in carrying out the duties associated with our gas functions is to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland, to do so in a way which is consistent with our fulfilment of the objectives set out in the European Gas Directive², and by having regard to a number of matters, as set out more fully in the Energy (Northern Ireland) Order 2003.
- 1.2 In line with these duties this document sets out our decision to modify the gas conveyance license granted to West Transmission Limited (WTL) on the 11 February 2015 (**the Licence**).
- 1.3 For the reasons set out in Section 2 of this Decision Paper we consider that the modifications set out in the notice published by the Utility Regulator pursuant to Article 14(2) of the Gas Order, on 16 August 2021 should be made.
- 1.4 The various conditions modified in the Licence are set out in Table 1.1 below.

Subject	Amended licence conditions
Cut-Off Date	6.1.2

Table 1.1: Licence Modifications

- 1.5 The licence modification will:
- a) Amend the Cut-Off Date in respect of the final determination of Actual Capital Expenditure. The modification will allow the Utility Regulator to make a final determination of Actual Capital Expenditure for Gas to the West when actual costs are well established. This will minimise the quantum of costs which might be confirmed after the determination of Actual Capital Expenditure and paid for as "Capital Expenditure constituting Eligible Pass-Through Costs" which reduces tariff stability.
- 1.6 The effect of the modifications is set out in Chapter 3 of this document.
- 1.7 A notice under Article 14(2) of the Gas Order proposing the modifications and seeking comments from interested parties was published by the Utility

² Directive 2009/73/EC of the European Parliament and the Council of 13 July concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC.



Regulator on 16th August 2021. The consultation closed on 14th September 2021 and generated one response from SGN Commercial Services Limited.



2. Consideration of Responses Received

- 2.1 As noted in Section 1 we received one response, from SGN Commercial Services Limited, to the statutory consultation notice published on the 16 August 2021. We set out below the substantive issues raised and our response.

Substantive issues raised by SGN Commercial Limited

- 2.2 SGN Commercial Services Limited supported the proposed amendments to the gas conveyance licence to amend the “Cut-off” date in Schedule 6.1.2 to the 1st December 2023 or a date which is set in a direction issued by the Utility Regulator following consultation with the Licensee. It suggested that if the costs are not clarified within this new timescale, although it believes they will be, then the revised condition should allow the further time necessary to provide sufficient certainty on out-turn costs.

Our response to issues raised by SGN Commercial Limited

- 2.3 We note that SGN Commercial Services Limited’s support for the proposed amendments which reflects the approach suggested by the Licensee when it first asked for licence modifications to extend the Cut-Off Date. However, while SGN Commercial Services Limited believes that actual costs will be clarified within the suggested timescale, it notes that there may be a need to allow further time to provide sufficient certainty on out-turn costs.
- 2.4 When the Licence was originally modified to include a Cut-Off Date, a fixed Cut-Off Date was introduced. This provided certainty to the Licensee on the timing of the Utility Regulator’s decision on Actual Capital Expenditure. It also sets a date when the balance of funds raised in pre-construction financing and not required for construction of Gas to the West could be released for other purposes which are beneficial to consumers. We believe that it is appropriate to continue this approach in these modifications.
- 2.5 We recognise the possibility that significant issues relating to capital expenditure may not be resolved on schedule. Should this prove to be the case we may need to consider, at an appropriate point in time, further modification of the licence to re-define the Cut-Off Date. However, we expect the Licensee to make every effort to ensure that it is not necessary to extend the Cut-Off Date again.



Differences between the modifications previously consulted on and the final text of the modifications

- 2.6 There are no differences between the modifications previously consulted on and the final text of the modifications set out in the Annex to the Decision Paper.



3. Effect of the Licence Modifications

3.1 The effect of the proposed licence amendment is to:

- a) Extend the Cut-Off Date to the 1 December 2023 but with the opportunity for the Authority to move the Cut-Off Date forward if it decides that there is sufficient certainty of out-turn costs to allow a reasonable determination of Actual Capital Expenditure to be made.
- b) Avoid the need for the Authority to make a determination of Actual Capital Expenditure when out-turn costs remain uncertain providing greater tariff stability in the future.
- c) Delay the release of residual funds raised in pre-construction financing for Gas to the West and not required for construction of Gas to the West for other purposes which are beneficial for consumers.



4. Conclusion

- 4.1 The Utility Regulator has considered the representations received fully and remains content that the proposed modifications, as set out in Annex 1, should be made for the reasons outlined in this Decision Paper. We have also concluded that the licence modifications will better facilitate the achievement of our statutory objectives. We are therefore proceeding to make the modifications set out in Annex 1. This paper represents the Utility Regulator's final decision on the modification of the WTL gas conveyance licence.
- 4.2 The modifications have effect from 20th December 2021.



5. Annexes

- 5.1 Annex 1 to this Decision Paper shows the modifications compared to the current WTL licence.
- 5.2 Within the annex, deletions are indicated by red text that has been struck through, additions are indicated by red text highlighted in yellow.