CRITERIA FOR GAS LICENCE APPLICATIONS AND APPLICATIONS FOR CONSENT TO CONSTRUCT MAJOR PIPE-LINES, GAS STORAGE OR LNG FACILITIES

1 INTRODUCTION

1.1 This document sets out the criteria which the Northern Ireland Authority for Utility Regulation (the Authority) will apply when deciding whether to grant:
   (i) a licence authorising the conveyance, storage or supply of natural gas, or the operation of a Liquefied Natural Gas (LNG) facility;
   (ii) an extension of any licence which has already been granted;
   (iii) a consent to the construction of a major pipe-line or gas storage facility or to an increase in the capacity of such a pipeline or facility.

1.2 This document also sets out the criteria which the Department of Enterprise, Trade and Investment (the Department) will apply in deciding whether to grant a consent for the construction of an LNG facility, or which the Authority will apply in response to an Application for an increase in the capacity of such a facility.

1.3 An application for any such licence, extension or consent must be made to the Authority in accordance with any requirements as to the form and content of that application. Information as to the appropriate requirements can be obtained from the Authority. Note: The Department will deal with all aspects of Applications for consent to construct an LNG facility but its procedures will be similar to those outlined below for all other licences/consents which are granted by the Authority.

Relevant Legal Instruments

1.4 This document should be read in accordance with the following legal instruments (as they may be amended or re-enacted from time to time):
   (a) the Gas (Northern Ireland) Order 1996 (the Gas Order);
   (b) the Energy (Northern Ireland) Order 2003 (the Energy Order);
   (c) Directive 2009/73/EC concerning common rules for the internal market in natural gas (the Gas Directive);
   (d) Regulation (EC) No. 715 of the European Parliament and the Council on conditions for access to the natural gas transmission networks (the Gas Regulation);
   (e) the Gas (Applications for Licences and Extensions) Regulations (Northern Ireland) 1996 (the Application Regulations);
   (f) the standard conditions of licences for the conveyance, storage and supply of natural gas or for operating an LNG facility (the Standard Licence Conditions).

1.5 Copies of Northern Ireland legislation can be obtained at www.legislation.gov.uk and a copy of the Gas Directive and Gas Regulation can be obtained at http://eur-lex.europa.eu. The Standard Licence Conditions can be obtained on request from the Authority.
The Criteria

1.6 The criteria set out in this document provide an objective and non-discriminatory basis on which the Authority may assess an application for the grant of a licence, extension or consent.

1.7 Many of the criteria require the exercise of judgment by the Authority. Where this is the case, the Authority will exercise that judgment in the light of:

(a) the information and evidence provided to it by the applicant;

(b) the representations received in response to any consultation carried out by the Authority or by the applicant (whether in accordance with a statutory requirement to do so, or otherwise); and

(c) its principal objective and general duties under Article 14 of the Energy Order.

The Responsibility of the Applicant

1.8 Since the Authority will need to rely on information provided by the applicant when assessing any application for the grant of a licence, extension or consent, it is important that the information provided by the applicant (together with supporting evidence where appropriate) is clear and provided promptly.

1.9 It is a criminal offence under Article 46 of the Gas Order to make any statement for the purpose of an application which is known to be false, or recklessly to make a statement which is in fact false, in a material particular.

This Document

1.10 This document is published in accordance with Articles 4(2) and 38(2) of the Gas Directive, and Article 8(7B) of the Gas Order.

1.11 In this document:

(a) unless the context requires otherwise, words and expressions shall be taken to have the same meanings as in the Gas Order, Energy Order, Gas Directive, Gas Regulation and Application Regulations;

(b) any reference to an ‘Application’ is to an application for a licence, extension or consent (as the context requires); and

(c) any reference to an ‘Applicant’ is to the natural or legal person making an Application, or to the person on whose behalf that Application is made.

1.12 The rest of this document is structured as follows –

- Section 2 sets out general criteria that are relevant to all applications for a licence or an extension of a licence;

- Section 3 sets out the additional specific criteria that are relevant to applications for an exclusive gas conveyance licence;

- Section 4 sets out the criteria that are relevant to applications for consents to the construction (or the increase in capacity) of major pipe-lines, gas storage or LNG facilities.
Any person with questions about the content of this document may contact the Authority on 028 903 115 75 or by email at info@uregni.gov.uk, or the Department on 028 9052 9398 or by e-mail at energy@detini.gov.uk.
2 CRITERIA RELEVANT TO ALL APPLICATIONS FOR THE GRANT OF A LICENCE OR EXTENSION TO A LICENCE

2.1 This section sets out the criteria that will be applied by the Authority in assessing Applications for licences authorising the conveyance, storage or supply of natural gas, or the operation of an LNG facility, or for extensions of any such licences.

2.2 In addition to meeting the general criteria set out in this section, Applicants who are applying for an exclusive gas conveyance licence to be granted in accordance with Article 9 of the Gas Order must meet the criteria set out in Section 3.

The General Criteria

2.3 An Applicant must meet each of the following criteria.

Information

2.4 An Applicant must, prior to the Authority determining whether or not to grant the licence (or extension of licence) that is the subject of the Application, have:

(a) provided the Authority with all information (including documentary or other supporting evidence) that the Authority may require for the purposes of considering the Application; and

(b) done so by such times and in such a manner as the Authority may specify.

Constitution

2.5 Unless an Applicant is a private individual, it must demonstrate that it:

(a) is properly constituted in accordance with the law; and

(b) holds all registrations, authorisations or approvals required to be held by an entity of its type.

Fit and Proper Person

2.6 An Applicant must demonstrate to the satisfaction of the Authority that, having regard:

(a) to the past and present conduct and status of the Applicant, its senior officers and of any person having a controlling interest in it; and

(b) in particular to the matters specified in paragraph 2.7,

it is a fit and proper person to be granted the licence (or extension of licence).

2.7 The matters specified in this paragraph are the following:

(a) any actual, pending or threatened regulatory enforcement actions that have been, are being, or are proposed to be taken by any competent authority against the Applicant or any individuals listed in accordance with paragraph 6(b) of Schedule 2, Parts I-IV in the Application Regulations (‘relevant individuals’) or any parent undertaking, holding company or ultimate controller of the Applicant;

(b) any criminal convictions of the Applicant or any relevant individuals or any parent undertaking, holding company or ultimate controller of the Applicant other than convictions for minor road traffic offences or convictions in respect of which the convicted person has become rehabilitated under the Rehabilitation of Offenders (Northern Ireland) Order 1978 or the Rehabilitation of Offenders Act 1974;
(c) any cautions given, prosecutions brought or threatened, or any other action taken by a competent authority in respect of the Applicant or any relevant individuals or any parent undertaking, holding company or ultimate controller of the Applicant, within the six years prior to the date of the Application, in relation to any actual or alleged contravention of environmental (including town and country planning) legislation;

(d) any application made by the Applicant or any parent undertaking, holding company or ultimate controller of the Applicant for a licence under the Gas Order or the Electricity (Northern Ireland) Order 1992, or for any equivalent form of licence or authorisation in a jurisdiction other than Northern Ireland, where that application has been refused;

(e) any licence held by the Applicant or any parent undertaking, holding company or ultimate controller of the Applicant under the Gas Order or the Electricity (Northern Ireland) Order 1992, or any equivalent form of licence or authorisation in a jurisdiction other than Northern Ireland, which has been revoked or threatened to be revoked;

(f) any instance of insolvency or corporate restructuring to which the Applicant or any parent undertaking, holding company or ultimate controller of the Applicant has been subject; and

(g) any actual, pending or threatened recovery order in relation to illegal state aid that has been made, is being made, or has been proposed by the European Commission in respect of the Applicant, or any parent undertaking, holding company or ultimate controller of the Applicant.

**Adequate Resources**

2.8 An Applicant must demonstrate to the satisfaction of the Authority that it has in place at the time of the Application, or is making appropriate arrangements to ensure that it would have in place by such time as it would commence regulated activities under the licence:

(a) the systems and apparatus;

(b) the human and other resources; and

(c) the financial resources and facilities,

that are likely to be sufficient for it to be able to comply with the Standard Licence Conditions applicable to that licence, together with such other conditions as the Authority indicates that it would propose to include in the licence if it (or the extension of it) were granted.
3 CRITERIA RELEVANT TO AN APPLICATION FOR THE GRANT OF AN EXCLUSIVE GAS CONVEYANCE LICENCE

3.1 This section sets out the criteria that will be applied by the Authority in assessing Applications for any exclusive gas conveyance licence to be granted, or for extensions of any such licence:

(a) in accordance with Article 9 of the Gas Order; and

(b) in respect of any activities which the Authority indicates it would propose, for the purposes of that Article, to designate in the licence if it were granted.

3.2 These criteria are without prejudice, and apply in addition, to those set out in Section 2.

Definitions

3.3 In this section, where the Authority has indicated its intention to grant, at approximately the same time, more than one exclusive gas conveyance licence (or extension of licence) in respect of the same authorised area but in relation to different descriptions of conveyance activity:

(a) each of them shall be referred to as a ‘Related Licence’; and

(b) they shall together be referred to as ‘Related Licences’.

3.4 In this section, where the Authority has indicated its intention to grant Related Licences:

(a) an ‘Application Pair’ shall mean any combination of two Applications which consists of one Application in respect of each Related Licence, but such that:

   (i) a Connected Application may only constitute part of an Application Pair with the Application to which it is Connected; and

   (ii) an Application which is not Connected to any other Application may only constitute part of an Application Pair with another Application which is not so Connected;

(b) an Application for one Related Licence shall be ‘Connected’ to an Application for the other Related Licence where each of those Applications has, in accordance with paragraph 6 of Schedule 1 to the Application Regulations, identified the other as an Application to which the Applicant wishes it to be connected, and:

   (i) for these purposes it shall be irrelevant whether the Applications are made by the same or different Applicants; and

   (ii) Applications which are Connected shall each be a ‘Connected Application’ and together the ‘Connected Applications’; and

(c) a ‘Combined Score’ means the aggregate of the marks awarded in accordance with paragraph 3.14 below to the Applications within an Application Pair.

Discretion of the Authority

3.5 Paragraph 3.6 applies where the Authority has indicated its intention to grant Related Licences.

3.6 Where this paragraph applies, the Authority may decline to grant an exclusive licence to an Applicant which has met the criteria for one Related Licence if, in relation to the other Related Licence:

(a) no Application has been made;

(b) no Applicant has met the criteria applicable to that licence; or
(c) all Applications which met the criteria applicable to that licence have been withdrawn.

**Specific Criteria**

3.7 Subject to paragraph 3.8, an Applicant must meet:

(a) the criterion at paragraph 3.9 (Financial Resources and Standing); and

(b) the criterion at paragraph 3.11 (Best Value).

3.8 An Applicant shall not be required to meet the criterion at paragraph 3.11 if both:

(a) the Application is not in respect of a Related Licence; and

(b) the Applicant has made the only Application for the exclusive licence (or extension of that licence).

**Financial Resources and Standing**

3.9 An Applicant must demonstrate that it has the resources and financial standing to undertake the activities which would be the subject of obligations set out in any conditions (including the Standard Licence Conditions) which the Authority indicates it would propose to include in the licence (or extension of licence) if it were granted.

3.10 An Applicant is to be treated as having met this criterion if it demonstrates to the satisfaction of the Authority that it has, or can obtain, access to financial resources at least equal to 120% of the amount of capital that is specified by the Authority as the minimum amount that is required, in the Authority’s opinion, to be available to the holder of the licence.

**Best Value**

3.11 An Applicant must have made the Application which represents best value for gas consumers in Northern Ireland.

3.12 For the purposes of this criterion, an Application shall be deemed to represent best value for gas consumers in Northern Ireland if:

(a) where the Application is not for a Related Licence, the marks awarded to the Application in accordance with paragraph 3.14 are higher than the marks awarded to any other Application in accordance with that paragraph; or

(b) where the Application is for a Related Licence, the Application falls within either Scenario A or B below.

3.13 For the purposes of this criterion:

(a) **Scenario A**

An Application falls within Scenario A where:

(i) it constitutes part of the Application Pair which achieved the highest Combined Score of all Application Pairs; and

(ii) each Application which forms part of that Application Pair:

(A) meets all of the other criteria applicable to the Application (excluding this Best Value criterion); and

(B) is not withdrawn by the Applicant before the licence is granted.
(b) **Scenario B**

An Application falls within Scenario B where:

(i) no Application falls within Scenario A;

(ii) the Application constitutes part of the Application Pair which achieved the second highest Combined Score of all Application Pairs; and

(iii) each Application which forms part of that Application Pair:

(A) meets all of the other criteria applicable to the Application (excluding this Best Value criterion); and

(B) is not withdrawn by the Applicant before the licence is granted.

**Awarding Marks to Applications**

3.14 The number of marks obtained by each Application shall be calculated as follows:

(a) the Authority shall specify a maximum number of marks available to be obtained by any Application;

(b) those marks shall be distributed in the following proportions –

(i) paragraph 3.15 ( Applicant Determined Costs), 50%;

(ii) paragraph 3.17 (Operational Business Plan), 40%;

(iii) paragraph 3.21 (Innovation and Technology Transfer), 10%;

(c) each Application shall be awarded a number of marks for each of paragraphs 3.15, 3.17 and 3.21 which is determined by the Authority as being, in its opinion, the appropriate number of marks attributable to the Application in respect of that paragraph;

(d) the marks awarded to each Application in respect of paragraphs 3.15, 3.17 and 3.21 shall be aggregated to establish the total number of marks obtained by that Application; and

(e) where the Application is for a Related Licence, the Authority shall:

(i) identify every possible Application Pair; and

(ii) calculate in respect of each Application Pair a Combined Score.

**Applicant Determined Costs**

3.15 The Applicant Determined Costs for each Application shall be the costs assessed in net present value and calculated in accordance with a Data Input Workbook provided by the Authority to the Applicant and completed by that Applicant, and the marks attributable to each Application in respect of those costs shall be such that:

(a) the Application with costs that are lower than those of any other Application shall be allocated the maximum available number of marks;

(b) for each other Application, the number of marks to be allocated shall be –

(i) the maximum available number of marks,

less
(ii) 1% of those marks in respect of each 0.2% by which the costs exceed those of the Application with the lowest costs,

but so that

(iii) if the costs of any Application are 20% or more above the costs of the Application with the lowest costs, it is to be allocated zero marks,

(and for these purposes the percentage by which the costs of an Application exceed those of the Application with the lowest cost shall be rounded up or down to the nearest 0.2%).

3.16 For the purposes of paragraph 3.15, where an Application is for a Related Licence, references to other Applications shall be read as references to other Applications for the same Related Licence.

Operational Business Plan

3.17 The marks attributable to each Application in respect of the Operational Business Plan shall be those which the Authority considers appropriate in accordance with the Operational Business Plan template provided by the Authority to the Applicant and completed by that Applicant, having regard in particular to:

(a) the Applicant’s statement of how it will undertake the activities which would be the subject of obligations set out in the conditions which the Authority indicates it would propose to include in the licence (or extension of licence) if it were granted, including –

(i) the Applicant’s proposals as to engagement with key stakeholders;

(ii) the skills and experience of its key members of staff;

(iii) the skills and experience of any other persons on whom it proposes to rely, and the nature of its arrangements or proposed arrangements with those persons;

(iv) its identification and proposals as to the management of risk;

(v) its proposals as to the use of tendering arrangements; and

(b) the Applicant’s description of how the data that is supplied in its completed Data Input Workbook was derived, including –

(i) the completeness with which it has described the derivation of that data;

(ii) its identification and application of cost drivers;

(iii) the robustness of any assumptions made by it;

(iv) its use of evidence that is verifiable from its previous experience;

(v) its identification and quantification of risk; and

(vi) its efficiency improvement plan; and

(c) any other aspect of the Operational Business Plan which the Authority considers relevant, including in particular those matters referred to at paragraphs 3.19 and 3.20 (in so far as relevant).

3.18 The marks attributable to each Application in respect of the Operational Business Plan shall be distributed in the following proportions:

(a) sub-paragraph 3.17(a), 20%;
3.19 The matters referred to in this paragraph are, in the case of a gas system which mainly comprises pipelines above 7 bar (a ‘high pressure network’), the ability of the Applicant to manage all the processes and resources necessary to build and operate the high pressure network in a timely, efficient and safe manner under the licence (or extension of licence) if it were granted to the Applicant, and in particular:

(a) the Applicant’s experience of managing the processes and resources necessary to construct a high pressure network;

(b) the skills and experience of any other persons on whom it proposes to rely in managing the processes and resources necessary to construct a high pressure network, and the nature of its arrangements or proposed arrangements with those persons;

(c) its experience of system operation in the context of a high pressure network;

(d) the skills and experience of any other persons on whom it proposes to rely in the operation of a high pressure network, and the nature of its arrangements or proposed arrangements with those persons;

(e) its proposals as to the securing, mobilisation and management of the internal resources necessary to construct a high pressure network;

(f) its proposals as to the securing, mobilisation and management of the external resources necessary to construct a high pressure network;

(g) its proposals as to the engagement with external stakeholders including all relevant regulatory authorities and statutory agencies other licence holders, and private entities necessary to construct a high pressure network; and

(h) its proposals as to the timely delivery of the high pressure network.

3.20 The matters referred to in this paragraph are, in the case of a gas system which mainly comprises pipelines of 7 bar or less (a ‘lower pressure network’):

(a) the ability of the Applicant to manage all the processes and resources necessary to build and operate the lower pressure network in a timely, efficient and safe manner under the licence (or extension of licence) if it were granted to the Applicant, and in particular:

(i) the Applicant’s experience of managing the processes and resources necessary to construct a lower pressure network;

(ii) the skills and experience of any other persons on whom it proposes to rely in managing the processes and resources necessary to construct a lower pressure network, and the nature of its arrangements or proposed arrangements with those persons;

(iii) its experience of system operation in the context of a lower pressure network;

(iv) the skills and experience of any other persons on whom it proposes to rely in the operation of a lower pressure network, and the nature of its arrangements or proposed arrangements with those persons;
(v) its proposals as to the securing, mobilisation and management of the internal resources necessary to construct a lower pressure network;

(vi) its proposals as to the securing, mobilisation and management of the external resources necessary to construct a lower pressure network; and

(b) the ability of the Applicant to maximise the number of premises connecting to a gas network under the licence (or extension of licence) if it were granted to the Applicant, and in particular:

(i) the Applicant’s experience of achieving connections in any area not previously supplied with gas through a gas network;

(ii) the skills and experience of any other persons on whom it proposes to rely in achieving connections in areas not previously supplied with gas through a gas network, and the nature of its arrangements or proposed arrangements with those persons;

(iii) its proposals as to the development of relationships with businesses and social landlords, and experience of doing so; and

(iv) its proposals as to the promotion of connections to vulnerable consumers, and experience of doing so.

**Innovation and Technology Transfer**

3.21 The marks attributable to each Application in respect of Innovation and Technology Transfer shall be those which the Authority considers appropriate in accordance with the information provided to the Authority by the Applicant, having regard in particular to:

(a) the ability of the Applicant to achieve innovation and technology transfer in relation to –

   (i) environmental sustainability;

   (ii) efficiency in the use of gas and the use of new sources of gas;

   (iii) cost efficiency; and

   (iv) the development of a gas network under the licence (or extension of licence), if it were granted to the Applicant, to more remote geographical areas; and

(b) the Applicant’s:

   (i) history of innovation;

   (ii) ability to secure funding from other governmental or regulatory authorities;

   (iii) proposals to transfer any innovation into Northern Ireland;

   (iv) existing skills and experience;

and, for the purposes of each of sub-paragraphs (a) and (b), having regard to the skills and experience of any other persons on whom the Applicant proposes to rely for the purposes of innovation and technology transfer, and the nature of its arrangements or proposed arrangements with those persons.
3.22 The marks attributable to each Application in respect of Innovation and Technology Transfer shall be distributed in the following proportions:

(a) sub-paragraph 3.21(a), 50%;

(b) sub-paragraph 3.21(b), 50%.
4. APPLICATIONS FOR CONSENT FOR THE CONSTRUCTION OF MAJOR GAS PIPE-LINES, GAS STORAGE OR LNG FACILITIES

4.1 This section sets out the criteria that will be applied by the Authority in assessing Applications for consent to the construction of a major pipe-line or gas storage facility, or for consent to an increase in capacity of such a pipeline or facility. It also sets out the criteria which will be applied by the Department in assessing Applications for consent to construct an LNG facility, or by the Authority in relation to an Application for an increase in the capacity of such a facility.

The Criteria in relation to Pipe-lines

4.2 An Application for consent to the construction of a major pipe-line, or an increase in the capacity of such a pipe-line, must meet each of the following criteria.

Licensing

4.3 An Applicant must:

(a) hold a gas conveyance licence authorising the transportation of gas in the area which includes the location of the pipe-line in relation to which the consent is sought; or

(b) have entered into an agreement which –

(i) has been approved by the Authority;

(ii) is with a gas conveyance licence holder who holds a licence authorising the transportation of gas in the area which includes the location of the pipe-line in relation to which the consent is sought; and

(iii) relates to the operation of that pipe-line.

Development Plan

4.4 An Applicant must be able to demonstrate to the satisfaction of the Authority that its proposal for the construction of the pipe-line, or the increase in capacity of the pipe-line, is consistent with any development plan in accordance with a gas conveyance licence which authorises the transportation of gas in the area for which the consent is sought.

Health and Safety

4.5 An Applicant must be able to demonstrate that it has notified, and is engaged in discussions with, the Health and Safety Executive for Northern Ireland in relation to a gas safety case for the pipeline, or increase in capacity of the pipe-line, for which the consent is sought, and compliance with associated pipeline safety regulations.

Planning/Environmental

4.6 The Applicant must provide written confirmation that it is in receipt of full planning consent for the project and that he has obtained the necessary environmental approvals. This may include the completion of any necessary environmental assessments, including Environmental Impact Assessments, and proof that it has complied with any requirements in respect of habitats or in relation to Areas of Special Scientific Interest or those listed as Natura 2000 sites.

The Criteria in relation to Gas Storage Facilities

4.7 An Application for consent to the construction of a gas storage facility, or to increase the capacity of a storage facility, must meet each of the following criteria.
**Licensing**

4.8 An Applicant must:

(a) hold a gas storage licence authorising the storage of gas in the area for which the Application has been sought; or

(b) be the agent of gas storage licence holders who are authorised to store gas in the area for which the Application has been sought; or

(c) have entered into an agreement which has been approved by the Authority with a gas storage licence holder who holds a licence in the area for which the consent has been sought for the operation of the proposed gas storage facility.

**Development Plan**

4.9 An Applicant must be able to demonstrate to the satisfaction of the Authority that its proposal for the construction of a gas storage facility, or the increase in capacity of a storage facility, is consistent with any development plan which is linked to a storage licence.

**Health and Safety**

4.10 An Applicant must be able to demonstrate that it has notified, and is engaged in discussions with, the Health and Safety Executive for Northern Ireland in relation to a gas safety case for the gas storage facility for which the consent is sought, and compliance with any relevant health and safety regulations.

**Planning/Environmental**

4.11 The Applicant must provide written confirmation that it is in receipt of full planning consent for the project and that he has obtained the necessary environmental approvals. This may include the completion of any necessary environmental assessments, including Environmental Impact Assessments, and proof that it has complied with any requirements in respect of habitats or in relation to Areas of Special Scientific Interest or those listed as Natura 2000 sites.

**The Criteria in relation to Liquified Natural Gas (LNG) Facilities**

4.12 An Application for consent to the construction of an LNG facility, or to increase the capacity of an LNG facility, must meet each of the following criteria:

**Licensing**

4.13 An Applicant must:

(a) hold an LNG licence authorising the operation of an LNG facility in the area for which the Application has been sought; or

(b) be the agent of LNG licence holders who are authorised to operate an LNG facility in the area for which the Application has been sought; or

(c) have entered into an agreement which has been approved by the Authority with an LNG licence holder who holds a licence in the area for which the consent has been sought for the operation of the proposed LNG facility.
**Development Plan**

4.14 An Applicant must be able to demonstrate to the satisfaction of the Department, or the Authority as appropriate, that its proposal for the construction of an LNG facility, or the increase in capacity of an LNG facility, is consistent with any development plan which is linked to an LNG licence.

**Health and Safety**

4.15 An Applicant must be able to demonstrate that it has notified, and is engaged in discussions with, the Health and Safety Executive for Northern Ireland in relation to a gas safety case for the LNG facility for which the consent is sought, and compliance with any relevant health and safety regulations.

**Planning/Environmental**

4.16 The Applicant must provide written confirmation that it is in receipt of full planning consent for the project and that he has obtained the necessary environmental approvals. This may include the completion of any necessary environmental assessments, including Environmental Impact Assessments, and proof that it has complied with any requirements in respect of habitats or in relation to Areas of Special Scientific Interest or those listed as Natura 2000 sites.