

MEMORANDUM

TO: GTAC Stakeholders
FROM: First Gas
DATE: 27 August 2018
RE: Block 3 Outputs – 2 Termination

This memo describes details of the proposed changes to the termination provisions in the GTAC. These proposed terms follow on from discussions at the workshop on Wednesday, 23 August 2018 as documented at that meeting.

The proposed termination drafting changes are provided in Appendix 1 of this memo. Stakeholders will have an opportunity to comment on these provisions and help to shape them during the Drafting Feedback workshops on 4-6 September. Stakeholders will also be able to submit on these provisions once the GTAC is issued for consultation in mid-September.

Final Assessment Paper (FAP) findings

The findings of the FAP relating to termination were summarised in the GTAC work programme as follows:

- Parties should be able to remedy default rather than terminate (105)
- Termination if unpaid for 10 business days is unfair (105)
- Termination should depend on expiry or sale of all PRs (106)
- Term too short to be efficient (103)
- Continuity following termination (111)

Positions reached

The following positions were reached during the workshop. The way these points have been addressed is given in the table below.

Item	Addressed by
<p>There should be a remedy period for unpaid amounts and an ability to remedy default on prudentials</p>	<p>Section 19.4(a) amended to provide for a cure period of 20 business days after notification of default on unpaid amounts.</p> <p>Section 19.4(b) amended to provide for a cure period of 20 business days after notification of default on prudential requirements.</p>
<p>The GTAC should allow for sale of PRs (or pay out of term) upon termination</p>	<p>Section 19.3 amended to provide for sale or payment of outstanding amounts relating to PRs upon termination.</p>
<p>The term of the GTAC should be longer and there should be a process for extending the code. First Gas to consider the minimum extensions period.</p>	<p>Term of the code extended to 10 years in section 19.2.</p> <p>Process for extending the code inserted in section 19.2, involving a review initiated by First Gas in the eighth year of the code and a change request process.</p> <p>First Gas has considered whether there should be a minimum term extension and we believe that a five year minimum extension should be included. If a shorter period is desirable at the time of the code expiry, then the code change process can be used to address this point.</p>