

Schedule **21A** – New proposed special conditions for the electricity interconnector licence held by NeuConnect Britain Limited

[Note: Text shown in blue double underline are additions and text shown in ~~red strikethrough~~ are deletions]

Special Condition 1: Definitions and Interpretation	1
Special Condition 2: Cap Level and Floor Level	8
Special Condition 3: Cap and Floor Assessment.....	17
Special Condition 4: Interconnector Availability Incentive	21
Special Condition 5: Assessed Revenue	31
Special Condition 6: Not used	38
Special Condition 7: Non-Controllable Costs	39
Special Condition 8: Process for determining the value of the Post Construction Adjustment terms	51
Special Condition 9: Process for determining the value of the Opex Reassessment Adjustment terms.....	54
Special Condition 10: Calculation of adjustments to the Interconnector Revenue	57
Special Condition 11: NeuConnect Cap And Floor Financial Model Governance	70

Special Condition 1: Definitions and Interpretation

1. This condition sets out particular defined words and expressions that are used in the special conditions and gives their meaning.
2. However:
 - (a) where words and expressions are used in only one special condition, their definitions are set out in that condition; and
 - (b) where words and expressions used in the special conditions are defined in the standard conditions, they have the same meaning in the special conditions as given to them in the standard conditions, unless the context otherwise requires.
3. All defined words and expressions used in the special conditions have initial capital letters, including those defined in the standard conditions where they are written with lower case.
4. Any reference in these special conditions to:
 - (a) a provision thereof;
 - (b) a provision of the standard conditions of electricity transmission licences;
 - (c) a provision of the standard conditions of electricity interconnector licences,shall, if these or the standard conditions in question come to be modified, be construed, so far as the context permits, as a reference to the corresponding provision of these or the standard conditions in question as modified.
5. For the avoidance of doubt, the “Licensee’s Interconnector” (defined in the standard conditions as the electricity interconnector specified in Schedule 1 to the licensee’s licence) shall in these special conditions be construed to mean the entirety of the NeuConnect interconnector between Great Britain (Isle of Grain substation, Kent) and Germany (Fedderwaden substation, Lower Saxony), irrespective of the proportion of that interconnector that is owned by the licensee or that the licensee is authorised to participate in the operation of by virtue of this licence.

Definitions in alphabetical order

6. In these special conditions unless the context otherwise requires:

“Actual Floor Level” (AFL _t)	means the level of Assessed Revenue <u>value</u> for any Relevant Year that: <ol style="list-style-type: none">(a) is determined in accordance with the formula in paragraph 4(c) of special condition 2 (Cap Level and Floor Level) of this licence; and(b) below which level the licensee is eligible for a top up of Assessed Revenue from the GB System Operator
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“Allowed Outage”	means an Interconnector Outage (in MWh) that: <ul style="list-style-type: none"> (a) was caused by the de-energisation (whether partial or whole), disconnection or curtailment or reductions in capacity of the Licensee’s Interconnector by the GB System Operator or the relevant German System Operator or any other entity as may be determined by the Authority; and (b) is specified in writing by the Authority as being an Allowed Outage
“Annual Cap and Floor RIGs Submission”	means the submission by the licensee, on an annual basis, as specified in the Cap and Floor RIGs, of information that it is required to collect and provide to the Authority under Standard Condition 25 (Cap and Floor Regulatory Instructions and Guidance) of this licence
“Assessed Revenue”	means revenue earned by the Licensee’s Interconnector for any Relevant Year and calculated in accordance with Part A of special condition 5 (Assessed Revenue) of this licence
“Availability Incentive Adjustment At Cap” (AIC _t)	means the adjustment to the Cap Level determined in accordance with Part B of special condition 4 (Interconnector Availability Incentive) of this licence
“Availability Incentive Adjustment At Actual Floor” (AIAF _t)	means the adjustment to the Actual Floor Level determined in accordance with Part C of special condition 4 (Interconnector Availability Incentive) of this licence
“Availability Incentive Adjustment At Notional Floor” (AINF _t)	means the adjustment to the Notional Floor Level determined in accordance with Part C of special condition 4 (Interconnector Availability Incentive) of this licence
“Cap Level”(CL _t)	means the value <u>level of Assessed Revenue</u> for any Relevant Year that: <ul style="list-style-type: none"> (a) is determined in accordance with the formula in paragraph 4(a) of special condition 2 (Cap Level and Floor Level) of this licence; and (b) above which, at the end of each Relevant Year, the difference between the Cap Level and the Assessed Revenue is paid to the GB System Operator
“Cap Start Date”	means the Regime Start Date
“CHAW”	means a retail price index (RPI) as defined by the Office of National Statistics
“End Of Year Cap And Actual Floor Revenue Adjustment” (CAFA _t)	means the Licensee’s Interconnector Revenue CAFA _t adjustment component calculated in accordance with paragraph 5 of special condition 3 (Cap and Floor Assessment) of this

	licence
“End Of Year Cap And Notional Floor Revenue Adjustment” (CNFA _t)	means the Licensee’s Interconnector Revenue CNFA _t adjustment component calculated in accordance with paragraph 5 of special condition 3 (Cap and Floor Assessment) of this licence
“Exceptional Event”	means an event or circumstance: <ul style="list-style-type: none"> (a) that results in or causes the Actual Availability of the Licensee’s Interconnector to fall below the Minimum Availability Target in any Relevant Year; and (b) that, in the Authority’s opinion: <ul style="list-style-type: none"> i. constitutes a Force Majeure event under the special conditions of this licence; ii. has been appropriately mitigated and managed by the licensee including responding to the event in line with Good Industry Practice; and iii. the Authority is satisfied that the licensee has met the requirements of Part A of special condition 4 (Interconnector Availability Incentive) of this licence
“Financial Close”	means the date on which all of the conditions precedent for the first draw down under the licensee’s debt finance documents have been satisfied or waived
“Financial Year”	means a period of 12 months beginning on 1 April of each year and ending on 31 March of the following calendar year
“Floor Level”	means the Notional Floor Level or the Actual Floor Level (as applicable)
“Floor Start Date”	means the Full Commissioning Date or such earlier date as may be specified in writing by the Authority
“Force Majeure”	means an event or circumstance which is beyond the reasonable control of the licensee, including act of God, act of the public enemy, strike, lockout and other industrial disturbance, war declared or undeclared, threat of war, terrorist act (or threat of), blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, governmental restraint, provided that lack of funds of the licensee or performance or non-performance by an electricity transmission licensee or equivalent entity shall not be interpreted as a cause beyond the reasonable control of the licensee and provided that weather and ground conditions which are reasonably to be

expected at the location of the event or circumstance are also excluded as not being beyond the reasonable control of the licensee

“FPA Decision” means the Authority’s Decision on the Final Project Assessment of the NeuConnect Interconnector to Germany

“Full Commissioning Date” means the date on which the Licensee’s Interconnector is deemed to be fully commissioned in accordance with the criteria set out in paragraph 7 of special condition 2 (Cap Level and Floor Level) of this licence

“Good Industry Practice” means, in relation to any undertaking and any circumstances, the exercise of that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same or similar circumstances

“Interconnector Outage” means any reduction in MWh of Maximum Possible Availability of the Licensee’s Interconnector

“Interconnector Revenue” means, with respect to any Relevant Year, the revenue derived from any source in that Relevant Year by the licensee as a result of participating in the operation of the Licensee’s Interconnector

“Maximum Possible Availability” (MPA) has the value 12,272,400 MWh (calculated from RC × 8766) except where it has been adjusted to account for Partial Years in accordance with Part F of special condition 4 (Interconnector Availability Incentive), in which case it shall have an alternative value determined in accordance with the said Part F

“Minimum Availability Target” means the minimum amount of availability that is required over the Licensee’s Interconnector in any Relevant Year, and has the value 9,817,920 megawatt hours (MWh), subject to adjustments to account for Partial Years in accordance with Part F of special condition 4 (Interconnector Availability Incentive) of this licence

“NeuConnect Cap And Floor Financial Model 1” (NCFM1) means the model of that name that:

- (a) was published with the Authority’s “Decision on changes to the electricity interconnector licence held by NeuConnect Britain Limited”;
- (b) is represented by a workbook in Microsoft Excel ® format maintained under that name on the Authority’s Website;
- (c) will be used by the Authority to facilitate the determination of the Preliminary Cap Level term and the

Preliminary Notional Floor Level term and/or the Preliminary Actual Floor Level term, following Financial Close (as applicable), under special condition 2 (Cap Level and Floor Level) of this licence;

- (d) will be used by the Authority to facilitate the determination of the Post Construction Adjustment (PCA) terms under special condition 8 (Process for determining the value of the Post Construction Adjustment terms) of this licence; and

which may be modified in accordance with Part B of special condition 11 (NeuConnect Cap And Floor Financial Model Governance).

“NeuConnect Cap And Floor Financial Model 2” (NCFFM2)

means the model of that name that:

- (a) is published with the Authority’s “Decision on the Post Construction Review of the NeuConnect interconnector”;
- (b) is represented by a workbook in Microsoft Excel ® format maintained under that name on the Authority’s Website;
- (c) will be used by the Authority to facilitate the process by which the Authority effects adjustments to the Cap Level, the Notional Floor Level and/or the Actual Floor Level and the Licensee’s Interconnector Revenue in accordance with the special conditions of this licence; and

which may be modified in accordance with Part B of special condition 11 (NeuConnect Cap And Floor Financial Model Governance).

“Notional Floor Level” (NFL)

means the ~~level of Assessed Revenue~~ value for any Relevant Year that:

- (a) is determined in accordance with the formula in paragraph 4(b) of special condition 2 (Cap Level and Floor Level) of this licence; and
- (b) below which level the licensee is eligible for a top up of Assessed Revenue from the GB System Operator

“Opex Reassessment”

means the process for determining the value of the Opex Reassessment Adjustment terms set out in special condition 9 (Process for determining the value of the Opex Reassessment Adjustment terms)

“Opex Reassessment Adjustment” (ORA)

means the adjustments to the Cap Level and the Notional Floor Level and/or Actual Floor Level (as applicable) following

	determination by the Authority in accordance with Part D of special condition 2 (Cap Level and Floor Level) of this licence
“Partial Year”	means the first Relevant Year or the last Relevant Year
“Preliminary Actual Floor Level” (PAFL)	means the value determined in accordance with paragraph 12(c) of special condition 2 (Cap Level and Floor Level) of this licence
“Preliminary Cap Level” (PCL)	means the value determined in accordance with paragraph 12(a) of special condition 2 (Cap Level and Floor Level) of this licence
“Preliminary Notional Floor Level” (PNFL)	means the value determined in accordance with paragraph 12(b) of special condition 2 (Cap Level and Floor Level) of this licence
“Post Construction Adjustment” (PCA)	means the adjustments to the Cap Level and the Notional Floor Level and/or Actual Floor Level (as applicable) following a determination by the Authority in accordance with Part C of special condition 2 (Cap Level and Floor Level) of this licence
“Post Construction Review”	means the process for determining the value of the Post Construction Adjustment terms set out in special condition 8 (Process for determining the value of the Post Construction Adjustment terms)
“Post Regime Duration Period”	means the period falling immediately after the end of the Regime Duration, during which the relevant provisions of this licence apply as specified by the Authority pursuant to paragraph 24 of special condition 10 (Calculation of adjustments to the Interconnector Revenue)
“Rated Capacity”	means the maximum of the Licensee’s Interconnector Capacity and is equal to 1,400 megawatts (MW)
“Regime Duration”	means a period of 26 consecutive Relevant Years commencing on the Regime Start Date and ending on the date falling 25 years later (subject to any extension by the Authority of relevant provisions of this licence into the Post Regime Duration Period in accordance with paragraph 24 of special condition 10 (Calculation of adjustments to the Interconnector Revenue))
“Regime Start Date”	means the earlier of: <ul style="list-style-type: none"> (a) the successful completion of such procedures and tests in relation to the Licensee’s Interconnector as set out in Paragraph 7(a) of special condition 2 of this licence; and (b) 1st January 2024, or such later date as the Authority

may specify in ~~a~~the direction issued pursuant to Standard Licence Condition ~~[XX]~~26A Delay to Regime Start Date caused by Pre-Operational Force Majeure

“Relevant Year”

means:

- (a) in all Relevant Years, except for the first Relevant Year and the last Relevant Year of the Regime Duration, each and any complete Financial Year falling within the Regime Duration; and
- (b) in the first Relevant Year and the last Relevant Year of the Regime Duration, a different period of time as specified in Part J of special condition 3 (Cap and Floor Assessment) of this licence

“Relevant Year *t*”

means that Relevant Year for the purposes of which any calculation falls to be made

Special Condition 2: Cap Level and Floor Level

1. The purpose of this condition is to calculate the value of the Cap Level term and the Notional Floor Level term and/or the Actual Floor Level term (as applicable), against which the licensee's Assessed Revenue is assessed, in accordance with special condition 3 (Cap and Floor Assessment), at the end of each Relevant Year.
2. This condition also provides for the calculation of various adjustments to the Cap Level and the Notional Floor Level and/or Actual Floor Level (as applicable).

Structure of this condition

3. This condition is structured as follows:
 - (a) Part A of this condition sets out the calculation and entry into force of the Cap Level term (CL_t) and the Notional Floor Level term (NFL_t) and/or the Actual Floor Level term (AFL_t) (as applicable);
 - (b) Part B of this condition sets out the Preliminary Cap Level (PCL) and the Preliminary Notional Floor Level (PNFL) and/or the Preliminary Actual Floor Level (PAFL) (as applicable);
 - (c) Part C of this condition sets out the calculation of the Post Construction Adjustment At Cap term (PCAC) and the Post Construction Adjustment At Notional Floor term (PCANF) and/or the Post Construction Adjustment At Actual Floor term (PCAAf) (as applicable);
 - (d) Part D of this condition sets out the calculation of the Opex Reassessment Adjustment At Cap term (ORAC) and the Opex Reassessment Adjustment At Notional Floor term (ORANF) and/or the Opex Reassessment Adjustment At Actual Floor term (ORAAF) (as applicable);
 - (e) Part E of this condition sets out the calculation of the Availability Incentive Adjustment At Cap term (AIC_t) and the Availability Incentive Adjustment At Notional Floor term ($AINF_t$) and/or the Availability Incentive Adjustment At Actual Floor term ($AIAF_t$) (as applicable);
 - (f) Part F of this condition sets out the calculation of the Retail Price Index term (RPI_t); and
 - (g) Part G sets out the calculation of the Partial Year Cap Adjustment Factor term (PYC_t) and the Partial Year Floor Adjustment Factor term (PYF_t).

Part A: Calculation and entry into force of the Cap Level term (CL_t) and Notional Floor Level term (NFL_t) and/or Actual Floor Level term (AFL_t)

4. The Cap Level and the Notional Floor Level and/or Actual Floor Level (as applicable) for any Relevant Year are calculated in accordance with the following formulae:

- (a) $CL_t = PYC_t \times (PCL + PCAC + ORAC) \times AIC_t \times RPI_t$; and
- (b) $NFL_t = PYF_t \times (PNFL + PCANF + ORANF) \times AINF_t \times RPI_t$; or
- (c) $AFL_t = PYF_t \times (PAFL + PCAAf + ORAAf) \times AIAF_t \times RPI_t$

Where:

AFL _t	means the Actual Floor Level in Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(c) of this condition except where the Authority has issued a direction under paragraph 33 of special condition 7 (Non-Controllable Costs), in which case it shall be calculated in accordance with paragraph 36(c) of special condition 7 of this licence
AIC _t	means the Availability Incentive Adjustment At Cap term for Relevant Year <i>t</i> and is determined in accordance with Part B of special condition 4 (Interconnector Availability Incentive) of this licence and shall have a value in the range specified in paragraph 17 of this condition
AIAF _t	means the Availability Incentive Adjustment At Actual Floor term for Relevant Year <i>t</i> and is determined in accordance with Part C of special condition 4 (Interconnector Availability Incentive) of this licence and shall have a value specified in paragraph 16 of special condition 4 (Interconnector Availability Incentive)
AINF _t	means the Availability Incentive Adjustment At Notional Floor term for Relevant Year <i>t</i> and is determined in accordance with Part C of special condition 4 (Interconnector Availability Incentive) of this licence and shall have a value specified in paragraph 16 of special condition 4 (Interconnector Availability Incentive)
CL _t	means the Cap Level for Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(a) of this condition except where the Authority has issued a direction under paragraph 33 of special condition 7 (Non-Controllable Costs) of this licence, in which case it shall be calculated in accordance with paragraph 36(a) of special condition 7 of this licence
NFL _t	means the Notional Floor Level in Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(b) of this condition except where the Authority has issued a direction under paragraph 33 of special condition 7 (Non-Controllable Costs), in which case it shall be calculated in accordance with paragraph 36(b) of special condition 7 of this licence
PAFL	means the Preliminary Actual Floor Level term and is determined in accordance with paragraph 12(c) of this condition

PCAC	means the Post Construction Adjustment At Cap term and is determined in accordance with Part C of this condition
PCAAF	means the Post Construction Adjustment At Actual Floor term and is determined in accordance with Part C of this condition
PCANF	means the Post Construction Adjustment At Notional Floor term and is determined in accordance with Part C of this condition
PCL	means the Preliminary Cap Level term and is determined in accordance with paragraph 12(a) of this condition
PNFL	means the Preliminary Notional Floor Level term and is determined in accordance with paragraph 12(b) of this condition
RPI_t	means the Retail Price Index term for Relevant Year t and is calculated in accordance with Part F of this condition
PYC_t	means the Partial Year Cap Adjustment Factor term for Relevant Year t and is calculated in accordance with Part G of this condition
PYF_t	means the Partial Year Floor Adjustment Factor term for Relevant Year t and is calculated in accordance with Part G of this condition
ORAC	means the Opex Reassessment Adjustment At Cap term and is determined in accordance with Part D of this condition
ORAAF	means the Opex Reassessment Adjustment At Actual Floor term and is determined in accordance with Part D of this condition
ORANF	means the Opex Reassessment Adjustment At Notional Floor term and is determined in accordance with Part D of this condition

5. The Cap Level shall come in force on the Cap Start Date which shall be the Regime Start Date; and subject to paragraph 6 of this condition, the Notional Floor Level and/or the Actual Floor Level (as applicable) shall come into force on the Floor Start Date.
6. For the avoidance of doubt, the Floor Start Date shall not precede the Regime Start Date.
7. For the purposes of paragraph 11 of this condition, the Full Commissioning Date means the date:
 - (a) that falls after the successful completion of such procedures and tests in relation to the Licensee's Interconnector that are in accordance with, at the time they are undertaken, Good Industry Practice for commissioning that type of interconnector in order to demonstrate that the Licensee's Interconnector is available for the use of conveyance of electricity at the Rated Capacity; and

- (b) that falls before the successful completion of 60 days of continuous operation (with Licensee’s Interconnector technically available at the Rated Capacity) of the Licensee’s Interconnector provided that:
 - i. the period of time in which the events or circumstances specified in paragraph 8(a) to 8(c) of this condition shall be discounted subject to Authority direction in accordance with paragraph 11 of this condition; and
 - ii. should the licensee consider that any of the events or circumstances specified in paragraph 8(a) to 8(c) have occurred, the licensee provides sufficient information to the Authority to demonstrate this.
- 8. The events or circumstances referred to in paragraph 7 of this condition are as follows:
 - (a) de minimis periods of one hour or less of non-operation of the Licensee’s Interconnector that do not indicate an on-going construction defect with the Licensee’s Interconnector;
 - (b) Trial Operation Exceptional Event or Allowed Outage; and
 - (c) non-operation of the Licensee’s Interconnector as a result of insufficient price differential making electricity flow commercially non-viable.
- 9. For the purposes of paragraph 7(b)(i) of this condition, “shall be discounted” shall have the following meaning: the 60 days continuous operation shall be paused on the date and time of the start of the event or circumstance and shall resume on the date and time that normal operation recommences.
- 10. For the purposes of paragraph 8 of this condition, a Trial Operation Exceptional Event means an event or circumstance that, in the Authority’s opinion:
 - (a) constitutes a Force Majeure event under the special conditions of this licence;
 - (b) has been appropriately mitigated and managed by the licensee including responding to the event in line with Good Industry Practice; and
 - (c) allows the Authority to be satisfied that the licensee has met the requirements of Part A of special condition 4 (Interconnector Availability Incentive) of this licence.
- 11. The Authority shall, at the request of the licensee:
 - (a) confirm whether or not it considers the criteria specified in paragraph 7 of this condition have been satisfied; and
 - (b) if so, direct the date on which the Full Commissioning Date falls (such date being also the Floor Start Date unless the Authority has already specified an earlier Floor Start Date).

Part B: Preliminary Cap Level and Preliminary Notional Floor Level and/or Preliminary Actual Floor Level

12. The Preliminary Cap Level and Preliminary Notional Floor Level and/or Preliminary Actual Floor level (as applicable) set by the Authority for the Licensee’s Interconnector shall be determined and published by the Authority following Financial Close after updating all the relevant parameters in the NCFM1 in accordance with the terms set out in it such that:
- (a) the Preliminary Cap Level is set to the value in cell ~~{I20}~~ of [sheet “Cap Floor Levels”](#) of the NCFM1 expressed in million per year real 2020/21 Sterling prices; and
 - (b) the Preliminary Notional Floor Level is set to the value in cell ~~{I21}~~ of [sheet “Cap Floor Levels”](#) of the NCFM1 expressed in million per year real 2020/21 Sterling prices; and/or
 - (c) the Preliminary Actual Floor Level is set to the value in cell ~~{I36}~~ of [sheet “Cap Floor Levels”](#) of the NCFM1 expressed in million per year real 2020/21 Sterling prices, and
 - (d) from the date on which they are so determined and published, the Preliminary Cap Level, the Preliminary Notional Floor Level and/or Preliminary Actual Floor Level shall remain fixed ~~until any amendments made by the Authority in accordance with the process set out in special condition 8 (Process for determining the value of the Post Construction Adjustment terms) of this licence~~ [for the remainder of the Regime Duration](#).

Part C: Calculation of the Post Construction Adjustment At Cap term and the Post Construction Adjustment at Notional Floor term and/or Post Construction Adjustment at Actual Floor term (PCAC, PCANF and PCAAF)

13. The value of the PCAC term and the value of the PCANF term or the PCAAF term (as applicable):
- (a) shall be determined by the Authority in accordance with the process set out in special condition 8 (Process for determining the value of the Post Construction Adjustment terms);
 - (b) shall represent the difference between sub-paragraphs (a) and (b) of paragraph 14 of this condition;
 - (c) shall be expressed in real 2020/21 Sterling prices; and
 - (d) shall, from the date on which the PCAC and PCANF and/or PCAAF terms take effect, remain fixed for the remainder of the Regime Duration; or
 - (e) unless and until such determination under paragraphs 13(a) to 13(d) of this condition is made, shall have the value zero.
14. For the purposes of paragraph 13(a) to 13(d) of this condition, the Authority shall determine a value that represents the difference between:

- (a) the Authority's estimate, assumed in the Preliminary Cap Level and the Preliminary Notional Floor Level and/or Preliminary Actual Floor Level (as applicable), of the costs associated with developing, constructing, operating, maintaining, financing and decommissioning of the Licensee's Interconnector; and
- (b) the Authority's assessment, at the Post Construction Review stage, of the economic and efficient costs associated with developing, constructing, operating, maintaining, financing and decommissioning of the Licensee's Interconnector.

Part D: Calculation of the Opex Reassessment Adjustment At Cap term (ORAC) and Opex Reassessment Adjustment At Notional Floor term (ORANF) and/or Opex Reassessment Adjustment At Actual Floor term (ORAAF)

15. The value the ORAC term and the value of the ORANF term and/or the ORAAF term (as applicable):
 - (a) shall be determined by the Authority in accordance with the process set out in special condition 9 (Process for determining the value of the Opex Reassessment Adjustment terms);
 - (b) shall represent the difference between sub-paragraphs (a) and (b) of paragraph 16 of this condition;
 - (c) shall be expressed in real 2020/21 Sterling prices; and
 - (d) shall, from the date on which the ORAC and ORANF and/or ORAAF terms take effect, remain fixed for the remainder of the Regime Duration; or
 - (e) in the absence of a determination under paragraphs 15(a) to 15(d) of this condition, shall have the value zero.
16. For the purposes of paragraphs 15(a) to 15(d) of this condition, the Authority shall determine a value that represents the difference between:
 - (a) the Authority's assessment, at the Post Construction Review stage, of the economic and efficient costs associated with operating and maintaining the Licensee's Interconnector; and
 - (b) the Authority's reassessment, at the Opex Reassessment stage, of the economic and efficient costs associated with operating and maintaining the Licensee's Interconnector.

Part E: Calculation of the Availability Incentive Adjustment At Cap term (AIC_t) and the Availability Incentive Adjustment At Notional Floor term (AINF_t) and/or Availability Incentive Adjustment At Actual Floor term (AIAF_t)

17. The value of the AIC_t term is determined in accordance with Part B of special condition 4 (Interconnector Availability Incentive) of this licence and shall have a value between

0.98 and 1.02.

18. The value of the $AINF_t$ term and/or the $AIAF_t$ term (as applicable) is determined in accordance with Part C of special condition 4 of this licence.

Part F: Calculation of the Retail Price Index term (RPI_t)

19. The value of the RPI_t term is calculated in accordance with the following formula:

$$RPI_t = \frac{UK\ RPI\ index_t}{UK\ RPI\ index_{2020/21}}$$

UK RPI index _t	<p>means:</p> <p>(a) for the first Relevant Year, with respect to each of the total months in the period, as defined in paragraph 11(a) of special condition 3 (Cap and Floor Assessment) of this licence, the arithmetic average of the monthly index number of retail prices, as identified by the Office of National Statistics in the CHAW series, where the index on 13 January 1987 equals 100;</p> <p>(b) for the last Relevant Year, with respect to each of the total months in the period, as defined in paragraph 11(b) of special condition 3 of this licence, the arithmetic average of the monthly index number of retail prices, as identified by the Office of National Statistics in the CHAW series, where the index on 13 January 1987 equals 100; or</p> <p>(c) for all other Relevant Years over the Regime Duration, with respect to each of the 12 months in Relevant Year <i>t</i>, the 12 month arithmetic average of the monthly index number of retail prices, as identified by the Office of National Statistics in the CHAW series, where the index on 13 January 1987 equals 100</p>
UK RPI index 2020/21	<p>means, with respect to each of the 12 months from 1 April 2020 to 31 March 2021, the 12 month arithmetic average of the monthly index number of retail prices, as identified by the Office of National Statistics in the CHAW series, where the index on 13 January 1987 equals 100, and has the value of 294.2</p>

Part G: Calculation of the Partial Year Cap Adjustment Factor term and Partial Year Floor Adjustment Factor term (PYC_t and PYF_t)

20. The PYC_t term adjusts the Cap Level to account for Partial Years in respect of the first and last Relevant Year, and the PYF_t term adjusts the Notional Floor Level and/or the Actual Floor Level (as applicable) to account for Partial Years in respect of the first and

last Relevant Year.

21. The PYC_t shall

- (a) take the value 1 in all Relevant Years, except:
 - i. in respect of the period before the Regime Start Date, where the PYC_t term shall take the value zero;
 - ii. in respect of the first Relevant Year (in which the Cap Level term comes into force under paragraph 5 of this condition), where the value of the PYC_{t1} term shall be calculated in accordance with the following formula:

$$PYC_{t1} = \frac{NDC}{365.25}$$

- iii. in respect of the last Relevant Year, where the value of the PYC_{t26} term shall be calculated in accordance with the following formula:

$$PYC_{t26} = \frac{365.25 - NDC}{365.25}$$

- (b) in all Relevant Years subsequent to the last Relevant Year, where the PYC_t term shall take the value zero.

22. The PYF_t shall

- (a) take the value 1 in all Relevant Years, except:
 - i. in respect of the period before the Notional Floor Level and/or the Actual Floor Level (as applicable) comes into force, where the PYF_t term shall take the value zero;
 - ii. in respect of the Relevant Year in which the Notional Floor Level and/or the Actual Floor Level (as applicable) comes into force under paragraph 5 of this condition, where the value of the PYF_{t1} term shall be calculated in accordance with the following formula:

$$PYF_{t1} = \frac{NDF}{365.25}$$

- iii. in respect of the last Relevant Year and subject to the Notional Floor Level and/or the Actual Floor Level (as applicable) being in force under paragraph 5 of this condition, where the value of the PYF_{t26} term shall be equal to the value of the PYC_{t26} term.
- (b) in all Relevant Years subsequent to the last Relevant Year, where the PYF_t term shall take the value zero.

Where:

NDC	means the Number Of Days Of Cap term and is equal to the number of days from (and including) the day on which the Cap Level comes into
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	force up to (and including) the last day of the first Relevant Year as defined in Part J of special condition 3 (Cap and Floor Assessment).
NDF	means the Number Of Days Of Floor term and is equal to the number of days from (and including) the day on which the Notional Floor Level and/or the Actual Floor Level (as applicable) comes into force up to (and including) the last day of the first Relevant Year as defined in Part J of special condition 3 (Cap and Floor Assessment).
PYC _t	means the Partial Year Cap Adjustment Factor term for Relevant Year t and is calculated in accordance with paragraph 21 of this condition
PYC _{t1}	means the Partial Year Cap Adjustment Factor term for the first Relevant Year and similar expressions shall be construed accordingly
PYF _t	means the Partial Year Floor Adjustment Factor term for Relevant Year t and is calculated in accordance with paragraph 22 of this condition
PYF _{t1}	means the Partial Year Floor Adjustment Factor term for the first Relevant Year and similar expressions shall be construed accordingly

Special Condition 3: Cap and Floor Assessment

1. The purpose of this condition is to calculate the value of the End Of Year Cap And Notional Floor Revenue Adjustment term ($CNFA_t$) and/or the End Of Year Cap And Actual Floor Revenue Adjustment term ($CAFA_t$) (as applicable).
2. The $CNFA_t$ and $CAFA_t$ terms are components that provide for the adjustment (whether upwards or downwards) of the Interconnector Revenue as a consequence of the assessment of the licensee's Assessed Revenue against the Cap Level and the Notional Floor Level and/or the Actual Floor Level (as applicable) for each Relevant Year.
3. The licensee may notify the Authority at any time prior to the date falling 10 days after Financial Close of its election whether to have the licensee's Assessed Revenue assessed against the Cap Level and the Notional Floor Level and/or against the Cap Level and the Actual Floor Level (as applicable) and such election shall apply for the Regime Duration. If the licensee does not notify the Authority prior to the date falling 10 days after Financial Close, the licensee shall be deemed to have elected to have the licensee's Assessed Revenue assessed against the Cap Level and the Notional Floor Level and such deemed election shall apply for the Regime Duration.

Structure of this condition

4. This condition is structured as follows:
 - (a) Part A of this condition sets out the calculation of the End Of Year Cap And Notional Floor Revenue Adjustment term ($CNFA_t$) and/or the End Of Year Cap And Actual Floor Revenue Adjustment term ($CAFA_t$) (as applicable);
 - (b) Parts B to I of this condition set out the calculation of the various components used in the calculations set out in Part A of this condition; and
 - (c) Part J of this condition specifies the number, duration and start dates of Relevant Years over the course of the Regime Duration.

Part A: Calculation of the End of Year Cap And Notional Floor Revenue Adjustment term ($CNFA_t$) and/or the End of Year Cap And Actual Floor Revenue Adjustment term ($CAFA_t$)

5. For each Relevant Year, the value of the $CNFA_t$ term or the value of the $CAFA_t$ term (as applicable) is calculated in accordance with the following:
 - (a) if the value of the REC_t term is not equal to zero, then the value of the $CNFA_t$ term or the value of the $CAFA_t$ term (as applicable) is calculated in accordance with the following formula:
 - (i) $CNFA_t = -REC_t$; or

- (ii) $CAFA_t = -REC_t$
- (b) if the value of the $RSNF_t$ term or the $RSAF_t$ (as applicable) is not equal to zero, then the value of the $CNFA_t$ term or the $CAFA_t$ term (as applicable) is calculated in accordance with the following formulae:
- (i) $CNFA_t = RSNF_t$; or
- (ii) $CAFA_t = RSAF_t$
- (c) if the values of the REC_t , $RSNF_t$ and $RSAF_t$ terms are all equal to zero, then the value of the $CNFA_t$ term or the $CAFA_t$ term (as applicable) is zero.

Where:

$CAFA_t$	means the End Of Year Cap And Actual Floor Revenue Adjustment term for Relevant Year t and is determined in accordance with paragraph 5 of this condition
$CNFA_t$	means the End Of Year Cap And Notional Floor Revenue Adjustment term for Relevant Year t and is determined in accordance with paragraph 5 of this condition
REC_t	means the Revenue Excess At Cap term for Relevant Year t and is determined in accordance with Part B of this condition
$RSAF_t$	means the Revenue Shortfall At Actual Floor term for Relevant Year t and is determined in accordance with Part C of this condition
$RSNF_t$	means the Revenue Shortfall At Notional Floor term for Relevant Year t and is determined in accordance with Part C of this condition

Part B: Calculation of the Revenue Excess At Cap term (REC_t)

6. For each Relevant Year, the value of the Relevant Revenue At Cap term ($RRAC_t$) is calculated in accordance with the following formula:

$$RRAC_t = AR_t - CL_t$$

7. The value of the Revenue Excess At Cap term (REC_t) is determined as follows:
- (a) if the value of the $RRAC_t$ term is greater than zero (positive value) then the value of the REC_t term shall be equal to the value of the $RRAC_t$ term; or
- (b) if the value of the $RRAC_t$ term is less than zero (negative value) or equal to zero then the value of the REC_t term shall be zero.

Where:

AR _t	means the Assessed Revenue term for Relevant Year <i>t</i> and is calculated in accordance with Part A of special condition 5 (Assessed Revenue) of this licence
CL _t	means the Cap Level term (CL _t) for Relevant Year <i>t</i> and is calculated in accordance with paragraph 4(a) of special condition 2 (Cap Level and Floor Level) of this licence
REC _t	means the Revenue Excess At Cap term for Relevant Year <i>t</i> and is determined in accordance with paragraph 7 of this condition
RRAC _t	means the Relevant Revenue At Cap term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 6 of this condition

Part C: Calculation of the Revenue Shortfall At Notional Floor term (RSNF_t) and/or Revenue Shortfall At Actual Floor term (RSAF_t)

8. For each Relevant Year, the value of the Relevant Revenue At Notional Floor term (RRANF_t) and/or the Relevant Revenue At Actual Floor term (RRAAF_t) (as applicable) is calculated in accordance with the following formulae:

(a) $RRANF_t = NFL_t - AR_t$; or

(b) $RRAAF_t = AFL_t - AR_t$

9. The value of the Revenue Shortfall At Notional Floor term (RSNF_t) and/or Revenue Shortfall At Actual Floor term (RSAF_t) (as applicable) is determined as follows:

(a) if the value of the RRANF_t term:

- i. is greater than zero (positive value), then the value of the RSNF_t term shall be equal to the value of the RRANF_t term; or
- ii. is less than zero (negative value) or equal to zero, then the value of the RSNF_t term shall be zero; or

(b) if the value of the RRAAF_t term:

- i. is greater than zero (positive value), then the value of the RSAF_t term shall be equal to the value of the RRAAF_t term; or
- ii. is less than zero (negative value) or equal to zero, then the value of the RSAF_t term shall be zero.

Where:

AFL _t	means the Actual Floor Level term (AFL _t) for Relevant Year <i>t</i> and is calculated in accordance with paragraph 4(c) of special condition 2 (Cap Level and Floor Level) of this licence
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AR _t	means the Assessed Revenue term for Relevant Year <i>t</i> and is calculated in accordance with Part A of special condition 5 (Assessed Revenue) of this licence
RRAAF _t	means the Relevant Revenue At Actual Floor term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 8(b) of this condition
RSAF _t	means the Revenue Shortfall At Actual Floor term for Relevant Year <i>t</i> and is determined in accordance with paragraph 9(b) of this condition
NFL _t	means the Notional Floor Level term (NFL _t) for Relevant Year <i>t</i> and is calculated in accordance with paragraph 4(b) of special condition 2 (Cap Level and Floor Level) of this licence
RRANF _t	means the Relevant Revenue At Notional Floor term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 8(a) of this condition
RSNF _t	means the Revenue Shortfall At Notional Floor term for Relevant Year <i>t</i> and is determined in accordance with paragraph 9(a) of this condition

Part D to I:

Not used.

Part J: Relevant Years over the Regime Duration

10. There shall be 26 Relevant Years over the Regime Duration.
11. Each Relevant Year over the Regime Duration shall commence on 1st April and end on 31st March of the next calendar year, except for the following Relevant Years:
 - (a) the first Relevant Year shall commence on the Regime Start Date and end on the last day of the Financial Year (i.e. 31st of March) in which the Regime Start Date falls; and
 - (b) the last Relevant Year shall commence on 1st April and end on the last day of the Regime Duration.
12. Following the first Relevant Year, subsequent Relevant Years shall run consecutively.
13. Assessment of the licensee's Assessed Revenue against the Cap Level and Notional Floor Level and/or Actual Floor Level (as applicable) (subject to these levels coming into force under paragraph 5 of special condition 2 (Cap Level and Floor Level) of this licence) will occur at the end of every Relevant Year over the course of the Regime Duration.

Special Condition 4: Interconnector Availability Incentive

1. The purpose of this condition is to provide for adjustments to the Cap Level and Notional Floor Level and/or Actual Floor Level (as applicable) in relation to the Licensee's Interconnector availability performance in any Relevant Year.

Structure of this condition

2. This condition is structured as follows:
 - (a) Part A of this condition sets out the obligations on the licensee in the event that the Licensee's Interconnector experiences an Interconnector Outage;
 - (b) Part B of this condition sets out the Availability Target and the calculation of the associated Availability Incentive Adjustment At Cap term (AIC_i), which applies to the Licensee's Interconnector for the Regime Duration;
 - (c) Part C of this condition sets out the Minimum Availability Target and the calculation of the associated Availability Incentive Adjustment At Notional Floor term (AINF_i) and/or the Availability Incentive Adjustment At Actual Floor term (AIAF_i) (as applicable), which applies to the Licensee's Interconnector for the Regime Duration;
 - (d) Part D of this condition sets out the calculation of the Actual Availability term (AA_i);
 - (e) Part E of this condition sets out the process to be followed in the event that the Minimum Availability Target is not met;
 - (f) Part F sets out the adjustments to the Availability Target and the Minimum Availability Target to account for Partial Years; and
 - (g) Part G sets out meanings of defined terms used only in this condition.

Part A: Obligations in the event of an Interconnector Outage

3. The licensee shall use reasonable endeavours to make Interconnector Capacity available in accordance with the standard conditions of its licence and take reasonable steps consistent with Good Industry Practice to minimise the effect and duration of any Interconnector Outage.
4. Where an Interconnector Outage applies to the Licensee's Interconnector and the licensee reasonably expects the duration of such an Interconnector Outage will apply for a period of more than 21 days, then the licensee shall, within 7 days of the Interconnector Outage starting, notify the Authority in writing of the Interconnector Outage, including:
 - (a) details of the Interconnector Outage, including the cause of the Interconnector Outage and the impacts on its users and whether, in the licensee's opinion, the

Interconnector Outage has been caused (in whole or in part) by an Exceptional Event;

- (b) any interim work or other actions which are being undertaken to minimise the effect of the Interconnector Outage;
- (c) an indication of the timescale in which the licensee reasonably considers that the Interconnector Outage will be resolved, including (without limitation) any service restoration agreement with the GB System Operator and/or the German System Operator; and
- (d) a list of items covered under points (a) to (c) which licensee is not able to provide within 7 days of the Interconnector Outage starting, despite reasonable steps taken by the licensee, together with a reasonable indicative timeline for submission of the missing items, followed by eventual submission of these missing items within reasonable time.

5. All availability related calculations are applied to the Rated Capacity of the Licensee’s Interconnector, which is equal to 1,400 megawatts (MW).

Part B: Availability Target and calculation of the Availability Incentive Adjustment At Cap term (AIC_t)

- 6. The Availability Target (%) for the Licensee’s Interconnector is as specified in the FPA Decision to achieve a specific megawatt hours (MWh) of Interconnector Availability in any Relevant Year.
- 7. Subject to Part F (Adjustments to account for Partial Years) of this condition, the Availability Target (MWh) for the Licensee’s Interconnector in any Relevant Year is calculated in accordance with the following formula:

$$\text{Availability Target (MWh)} = 8766 \times RC \times \text{Availability Target (\%)}$$

Where:

8766	means the number of hours in each Relevant Year and is calculated in accordance with the formula in paragraph 19 of this condition
Availability Target (%)	means the Availability Target (AT) expressed as a percentage of operational time and is specified in the FPA Decision.
RC	means the Rated Capacity of the Licensee’s Interconnector and has the value given to that term in paragraph 5 of this condition (1,400 MW)

- 8. For each Relevant Year, the Actual Availability of the Licensee’s Interconnector will be compared to the Availability Target.
- 9. For each Relevant Year, the Actual Availability is assessed against the Availability

Target in accordance with the following formula to calculate the Availability Performance at Cap term (APC_t):

$$APC_t = \frac{AA_t}{AT}$$

10. The value of the AIC_t term is determined as follows:
- if the value of the APC_t term is greater than or equal to 1.02, then the value of the AIC_t term is 1.02;
 - if the value of the APC_t term is less than or equal to 0.98, then the value of AIC_t term is 0.98; and
 - if the value of the APC_t term is greater than 0.98 and less than 1.02, then the value of the AIC_t term is equal to the value of the APC_t term.

Where:

AA_t	means the Actual Availability term for Relevant Year t (in MWh) and is calculated in accordance with paragraph 18 of this condition
AIC_t	means the Availability Incentive Adjustment At Cap term for Relevant Year t and is determined in accordance with paragraph 10 of this condition
APC_t	means the Availability Performance At Cap term for Relevant Year t and is calculated in accordance with paragraph 9 of this condition
AT	means the Availability Target term and has the meaning given to that term in paragraph 7 of this condition

11. The licensee's Assessed Revenue is assessed against the Cap Level as adjusted by the AIC_t term for each Relevant Year over the Regime Duration in accordance with special condition 3 (Cap and Floor Assessment).

Part C: Minimum Availability Target and calculation of the Availability Incentive Adjustment At Notional Floor term ($AINF_t$) and/or the Availability Incentive Adjustment At Actual Floor term ($AIAF_t$)

12. Subject to Part F (Adjustments to account for Partial Years) of this condition, the Minimum Availability Target is to achieve 9,817,920 MWh in any Relevant Year.
13. The number 9,817,920 is calculated in accordance with the following formula:

$$9\ 817\ 920 = 8766 \times RC \times 80\%$$

Where:

8766	means the number of hours in each Relevant Year and is calculated in
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	accordance with the formula in paragraph 19 of this condition
80%	means 80 percent and is the Minimum Availability Target (MAT) expressed as a percentage of operational time
RC	means the Rated Capacity of the Licensee’s Interconnector and has the value given to that term in paragraph 5 of this condition (1,400 MW)

14. Subject to paragraph 26(a) of this condition, the licensee shall not be eligible for an upwards adjustment of Interconnector Revenue through the CNFA_t term or the CAFA_t term for any Relevant Year *t* in which the Actual Availability falls below the Minimum Availability Target, except where paragraph 16(b) or 16(c) of this condition applies.
15. For each Relevant Year, the Actual Availability of the Licensee’s Interconnector is assessed against the Minimum Availability Target in accordance with the following formula to calculate the Availability Performance at Floor term (APF_t):

$$APF_t = \frac{AA_t}{MAT}$$

16. The value of the AINF_t term and/or the AIAF_t term (as applicable) is determined as follows:
- (a) if the value of the APF_t term is greater than or equal to 1.00, then the value of the AINF_t term and/or the AIAF_t term (as applicable) is 1.00;
 - (b) if the value of the APF_t term is less than 1.00 and the licensee has elected to have its Assessed Revenue assessed against the Notional Floor Level, then:
 - i. subject to the value of the CAPOTSN_t term not exceeding four times the value of the NFL_t term, with the CAPOTSN_t and NFL_t terms being calculated as if the AINF_t -was equal to 1.00, in the Relevant Year *t* in which the assessment is being carried out, the licensee may elect for the AINF_t term to have a value of 1.00 or a fraction of 1.00 (as specified by the licensee); or
 - ii. otherwise, the value of the AINF_t term is zero; or
 - (c) if the value of the APF_t term is less than 1.00 and the licensee has elected to have its Assessed Revenue assessed against the Actual Floor Level, then:
 - i. subject to the value of the CAPOTSA_t term not exceeding four times the value of the AFL_t term, with the CAPOTSA_t and AFL_t terms being calculated as if the AIAF_t was equal to 1.00, in the Relevant Year *t* in which the assessment is being carried out, the licensee may elect for the AIAF_t term to have a value of 1.00 or a fraction of 1.00 (as specified by the licensee); or
 - ii. otherwise, the value of the AIAF_t term is zero.

Where:

AA _t	means the Actual Availability term for Relevant Year <i>t</i> (in MWh) and is determined in accordance with paragraph 18 of this condition
AFL _t	means the Actual Floor Level in Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(c) of special condition 2 (Cap Level and Floor Level), except where the Authority has issued a direction under paragraph 33 of special condition 7 (Non-Controllable Costs), in which case it shall be calculated in accordance with paragraph 36(c) of special condition 7 of this licence
AIAF _t	means the Availability Incentive Adjustment At Actual Floor term for Relevant Year <i>t</i> and is determined in accordance with paragraph 16(a) and 16(c) of this condition
AINF _t	means the Availability Incentive Adjustment At Notional Floor term for Relevant Year <i>t</i> and is determined in accordance with paragraph 16(a) and 16(b) of this condition
APF _t	means the Availability Performance At Floor term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 15 of this condition
MAT	means the Minimum Availability Target term and has the meaning given to that term in paragraph 12 of this condition
NFL _t	means the Notional Floor Level in Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(b) of special condition 2 (Cap Level and Floor Level), except where the Authority has issued a direction under paragraph 33 of special condition 7 (Non-Controllable Costs), in which case it shall be calculated in accordance with paragraph 36(b) of special condition 7 of this licence.
CAPOTSA _t	means the Capped Outstanding Temporary Support Actual term for Relevant Year <i>t</i> and is determined in accordance with Part F of special condition 10 (Calculation of adjustments to the Interconnector Revenue) of this licence
CAPOTSN _t	means the Capped Outstanding Temporary Support Notional term for Relevant Year <i>t</i> and is determined in accordance with Part F of special condition 10 (Calculation of adjustments to the Interconnector Revenue) of this licence

17. For the avoidance of doubt, tThe licensee's Assessed Revenue is assessed against the Cap Level, Notional Floor Level ~~as adjusted by the AINF_t term~~ and/or against the Actual Floor Level ~~as adjusted by the AIAF_t term~~ (as applicable) for each Relevant

Year over the Regime Duration in accordance with special condition 3 (Cap and Floor Assessment) of this licence.

Part D: Calculation of Actual Availability term (AA_t)

18. Subject to Part E (Process to be followed when the Minimum Availability Target is not met) and Part F (Adjustments to account for Partial Years) of this condition, the value of the Actual Availability term is calculated in accordance with the following formula:

$$AA_t = MPA - \sum IO_t$$

Where:

8766	means the number of hours in each Relevant Year and is calculated in accordance with the formula in paragraph 19 of this condition
AA _t	means the Actual Availability of the Licensee's Interconnector for Relevant Year <i>t</i> and is calculated in accordance with paragraph 18 of this condition
∑IO _t	means the total Interconnector Outage (in MWh), after the deduction of Allowed Outage (in MWh), for Relevant Year <i>t</i> reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i>
MPA	means the Maximum Possible Availability term and is defined in special condition 1 (Definitions and Interpretation) has the value 12,272,400 MWh (calculated from RC × 8766) except where it has been adjusted to account for Partial Years in accordance with Part F of this condition, in which case it shall have an alternative value determined in accordance with the said Part F
RC	means the Rated Capacity of the Licensee's Interconnector and has the value given to that term in paragraph 5 of this condition (1,400 MW)

19. The number 8766 is calculated in accordance with the following formula and for the purposes of this condition is the number of hours in each Relevant Year:

$$8766 = 365.25 \times 24$$

Part E: Process to be followed where the Minimum Availability Target is not met

20. Where the Actual Availability of the Licensee's Interconnector is below the Minimum Availability Target in any Relevant Year, the licensee shall provide a written statement to the Authority, from an authorised director of the licensee, within 3 months of the end of Relevant Year *t*, explaining how the steps that the licensee has taken have discharged

the obligations under paragraph 3 of this condition including but not limited to the cause(s) of the Interconnector Outage(s) and the impacts on its users.

21. The licensee may submit a request to the Authority for consideration of an Exceptional Event(s) under the following circumstances:
 - (a) the licensee has elected to have its Assessed Revenue assessed against the Notional Floor Level and the licensee considers its Assessed Revenue for Relevant Year t calculated in accordance with paragraph 4 of special condition 5 (Assessed Revenue) of this licence is less than the value of the following: the Notional Floor Level for Relevant Year t calculated in accordance with paragraph 4(b) of special condition 2 (Cap Level and Floor Level) of this licence with the Availability Incentive at Floor term set to 1.00; or
 - (b) the licensee has elected to have its Assessed Revenue assessed against the Actual Floor Level and the licensee considers its Assessed Revenue for Relevant Year t calculated in accordance with paragraph 4 of special condition 5 (Assessed Revenue) of this licence is less than the value of the following: the Actual Floor Level for Relevant Year t calculated in accordance with paragraph 4(c) of special condition 2 (Cap Level and Floor Level) of this licence with the Availability Incentive at Floor term set to 1.00;
 - (c) the licensee considers the Interconnector Outage(s) was caused (in whole or in part) by an Exceptional Event(s); and
 - (d) the licensee considers that, with the exclusion of the Interconnector Outage(s) caused by the Exceptional Event(s), the licensee has met the Minimum Availability Target.
22. Where the licensee has submitted a request to the Authority under paragraph 21 of this condition it shall, along with that request:
 - (a) specify the Availability Reduction Value proposed by the licensee, in MWh, of any Interconnector Outage caused by the Exceptional Event(s);
 - (b) provide such information as may be necessary to demonstrate that the proposed Availability Reduction Value was caused by an Exceptional Event; and
 - (c) provide such information as may be necessary to demonstrate that when the proposed Availability Reduction Value(s) is/are excluded from the calculation of the licensee's Actual Availability, the licensee has met the Minimum Availability Target.
23. Where the licensee has submitted a request to the Authority under paragraph 21 of this condition, the Authority may issue a direction specifying:
 - (a) whether any or all of the Interconnector Outage(s) specified in a request pursuant to paragraph 21 of this condition were caused by an Exceptional Event; and
 - (b) if so, whether in the Authority's opinion, the Exceptional Event with respect to which the licensee has submitted a request under paragraph 21 of this condition,

has been appropriately mitigated and managed by the licensee (consistent with the requirements of paragraph 3 of this condition) and whether the Authority accepts the proposed Availability Reduction Value specified by the licensee in its request under paragraph 22(a), and if not, specify an alternative Availability Reduction Value.

24. A direction under paragraph 23 of this condition shall not have effect unless, before it is made, the Authority has given notice to the licensee:
 - (a) stating the reasons, having regard to the information provided by the licensee and Good Industry Practice, why it proposes to issue the direction; and
 - (b) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,and the Authority has considered such representations or objections and given reasons for its decision.
25. The licensee may request that a direction issued by the Authority pursuant to paragraph 23 of this condition be modified, where the licensee considers that:
 - (a) there has been a material change to the information previously provided by the licensee in relation to the Exceptional Event specified in the previous direction; and
 - (b) it has notified the Authority of the material change, no later than 3 months after the end of the Relevant Year to which it relates.
26. The calculation of the licensee's Actual Availability for Relevant Year t in accordance with Part D of this condition shall be adjusted as follows:
 - (a) where the Authority has issued a direction under paragraph 23 of this condition (including where modified) specifying the Availability Reduction Value, then the calculation of the Actual Availability shall be adjusted to deem the Licensee's Interconnector available for such Availability Reduction Value; or
 - (b) under all other circumstances, no adjustment shall be made to the calculation of the licensee's Actual Availability.

Part F: Adjustments to account for Partial Years

27. In certain Relevant Years of the Regime Duration, the following terms shall be adjusted to account for Partial Years:
 - (a) the Availability Target (AT) term;
 - (b) the Minimum Availability Target (MAT) term; and
 - (c) the Maximum Possible Availability (MPA) term.
28. The following terms shall be adjusted according to the rules specified in paragraph 29 of this condition:

- (a) the AT term; and
 - (b) the MPA term for the purposes of comparison to the AT term.
29. The rules referred to in paragraph 28 are as follows:
- (a) in respect of the first Relevant Year (in which the Cap Level comes in to force under paragraph 5(a) of special condition 2 (Cap Level and Floor Level) of this licence), the relevant terms shall be adjusted by the Partial Year Cap Adjustment Factor (PYC_{t1}) term specified in paragraph 21 of special condition 2 of this licence;
 - (b) in respect of the last Relevant Year, the relevant terms shall be adjusted by multiplying by the PYC_{t26} term specified in paragraph 21 of special condition 2 of this licence; and
 - (c) in respect of all other Relevant Years of the Regime Duration, the relevant terms shall not be adjusted.
30. The following terms shall be adjusted according to the rules specified in paragraph 31 of this condition:
- (a) the MAT term; and
 - (b) the MPA term for the purposes of comparison to the MAT term.
31. The rules referred to in paragraph 30 are as follows:
- (a) in respect of the first Relevant Year in which the Notional Floor Level and/or the Actual Floor Level (as applicable) comes in to force under paragraph 5(b) of special condition 2 of this licence, the relevant terms shall be adjusted by multiplying them by the Partial Year Floor Adjustment Factor (PYF_{t1}) term specified in paragraph 22 of special condition 2 of this licence;
 - (b) in respect of the last Relevant Year and subject to the Notional Floor Level and/or Actual Floor Level (as applicable) being in force under paragraph 5(b) of special condition 2 of this licence, the relevant terms shall be adjusted by multiplying by the PYF_{t26} term specified in paragraph 22 of special condition 2 of this licence; and
 - (c) in respect of all other Relevant Years of the Regime Duration, the relevant terms shall not be adjusted.

Part G: Interpretation

32. For the purposes of this condition:

“Availability Reduction Value”	means the value, in MWh, of any Interconnector Outage caused by an Exceptional Event specified by the Authority in a direction under paragraph 23(b) of this condition
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“Availability Target”	has the meaning given to that term in paragraph 7 of this condition (subject to adjustments to account for Partial Years in accordance with Part F of this condition)
“Interconnector Outage”	means any reduction in MWh of Maximum Possible Availability of the Licensee’s Interconnector
“Interconnector Availability”	means the availability of Interconnector Capacity over the Licensee’s Interconnector.

Special Condition 5: Assessed Revenue

1. The purpose of this special condition is to calculate the licensee's Assessed Revenue, which is assessed against the Cap Level and Notional Floor Level and/or against the Cap level and Actual Floor Level (as applicable) in accordance with special condition 3 (Cap and Floor Assessment) for each Relevant Year.

Structure of this condition

2. This condition is structured as follows:
 - (a) Part A of this condition sets out the calculation of the Assessed Revenue term (AR_t);
 - (b) Part B of this condition sets out the calculation of the Gross Revenue term (GR_t);
 - (c) Part C of this condition sets out the calculation of the Market Related Costs term (MRC_t);
 - (d) Part D of this condition sets out the calculation of the Additional Revenue term (ADR_t); and
 - (e) Part E of this condition sets out the definitions of defined terms used only in this condition.

Part A: Calculation of the Assessed Revenue term (AR_t)

3. Subject to Part D (Determination of the Income Adjusting Event term) of special condition 7 (Non-Controllable Costs), for each Relevant Year t , the value of the Notional Assessed Revenue (NAR_t) term is calculated in accordance with the following formula:

$$NAR_t = GR_t - MRC_t$$

4. The value of the Assessed Revenue (AR_t) term, in each Relevant Year t , is determined as follows:
 - (a) if the value of the NAR_t term is greater than or equal to zero, then the value of the AR_t term is equal to the value of the NAR_t term; or
 - (b) if the value of the NAR_t term is less than zero, then the value of the AR_t term is zero.

Where:

AR_t	means the Assessed Revenue term for Relevant Year t and is determined in accordance with paragraph 4 of this condition
GR_t	means the Gross Revenue term for Relevant Year t and is calculated in accordance with Part B of this condition

MRC _t	means the Market Related Costs term for Relevant Year <i>t</i> and is calculated in accordance with Part C of this condition
NAR _t	means the Notional Assessed Revenue term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 3 of this condition

5. Without prejudice to any part of this condition, the Authority may, where it considers the information reported by the licensee in its Annual Cap and Floor RIGs Submission with respect to any component of the Assessed Revenue to be insufficient, request such information to be supplemented with any additional information or supporting evidence that the Authority considers appropriate.

Part B: Calculation of the Gross Revenue term (GR_t)

6. For each Relevant Year, the value of the GR_t term (in Sterling) is calculated in accordance with the following formula:

$$GR_t = (CAR_t + ASRGB_t + ASRG_t + CMR_t + RI_t + CPGB_t + CPG_t + ADR_t) \times 50\%$$

Where:

ADR _t	means the Additional Revenue term for Relevant Year <i>t</i> and is determined in accordance with Part D of this condition
ASRG _t	means the Ancillary Services Revenue (Germany) term for Relevant Year <i>t</i> and is: <ul style="list-style-type: none"> (a) equal to all revenue that is derived from providing a German Ancillary Service for Relevant Year <i>t</i>; and (b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i>
ASRGB _t	means the Ancillary Services Revenue (GB) term for Relevant Year <i>t</i> and is: <ul style="list-style-type: none"> (a) equal to all revenue that is derived from providing a GB Ancillary Service for Relevant Year <i>t</i>; and (b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i>
CAR _t	means the Capacity Allocation Revenue term for Relevant Year <i>t</i> and is: <ul style="list-style-type: none"> (a) equal to all revenue received from capacity allocation on the Licensee's Interconnector for Relevant Year <i>t</i>; and (b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i>

CMR _t	<p>means the Capacity Market Revenue term for Relevant Year <i>t</i> and is equal to whichever is the greater of:</p> <p>(a) all revenue (after deduction of any Capacity Provider Penalty Charges) that is derived from the licensee’s participation in the GB Capacity Market for Relevant Year <i>t</i>; and</p> <p>(b) zero,</p> <p>and is reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i></p>
CPG _t	<p>means the Constraint Payments (Germany) term for Relevant Year <i>t</i> and is:</p> <p>(a) equal to the sum of any payments received, in respect of the Licensee’s Interconnector, from the German System Operator as a result of the (partial or whole) de-energisation, disconnection or curtailment of the Licensee’s Interconnector by the GB System Operator or German System Operator for Relevant Year <i>t</i>; and</p> <p>(b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i></p>
CPGB _t	<p>means the Constraint Payments (GB) term for Relevant Year <i>t</i> and is:</p> <p>(a) equal to the sum of any payments received, in respect of the Licensee’s Interconnector, from the GB System Operator as a result of the (partial or whole) de-energisation, disconnection or curtailment of the Licensee’s Interconnector by the GB System Operator or German System Operator for Relevant Year <i>t</i>; and</p> <p>(b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i></p>
RI _t	<p>means the Receipts from Insurance term for insurance claims related to the compensation of received for lost revenue (such as business interruption insurance) received, in respect of the Licensee’s Interconnector, for Relevant Year <i>t</i> and is:</p> <p>(a) equal to the sum of any payments received, as a result of such insurance claim(s) for Relevant Year <i>t</i>; and</p> <p>(b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i></p>

Part C: Calculation of the Market Related Costs term (MRC_t)

7. For each Relevant Year, the value of the MRC_t term (in GBP Sterling) is calculated in accordance with the following formula:

$$MRC_t = (EAC_t + FC_t + TCC_t) \times 50\%$$

8. The licensee shall use reasonable endeavours to minimise its MRC_t .

Where:

EAC _t	<p>means the Error Accounting Costs term for Relevant Year <i>t</i> and is equal to the sum of the costs, whether positive or negative, incurred in connection with the Licensee's Interconnector in settling any energy imbalance due to any difference in metered volume between the physical flow on the interconnector and the aggregate position of all interconnector users as notified, in accordance with:</p> <p>(a) the BSC, to the Balancing and Settlement Code Company by the GB Interconnector Administrator for Relevant Year <i>t</i>; and</p> <p>(b) the relevant arrangements in Germany for Relevant Year <i>t</i>, and is reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i></p>
FC _t	<p>means the Firmness Costs term for Relevant Year <i>t</i> and is:</p> <p>(a) equal to costs, whether positive or negative, incurred in connection with the Licensee's Interconnector from payments made to users under the Firmness arrangements for Relevant Year <i>t</i>; and</p> <p>(b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i></p>
MRC _t	<p>means the Market Related Costs term for Relevant Year <i>t</i> and is determined in accordance with paragraph 7 of this condition</p>
TCC _t	<p>means Trip Contract Costs for Relevant Year <i>t</i> and is:</p> <p>(a) equal to costs, whether positive or negative, incurred in connection with the Licensee's Interconnector under a Trip Contract agreement for Relevant Year <i>t</i>; and</p> <p>(b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i></p>

Part D: Calculation of the Additional Revenue term (ADR_t)

9. For each Relevant Year, the value of the Additional Revenue term (ADR_t) is calculated in accordance with the following formula:

$$ADR_t = \sum (ADRS)_t$$

Where:

ADR_t	means the Additional Revenue term for Relevant Year t and is determined in accordance with paragraph 9 of this condition
$\sum(ADRS)_t$	means the sum of any revenue in relation to the operation of the Licensee's Interconnector for Relevant Year t (after deduction of any development and associated costs directed by the Authority under paragraph 11), that is derived from a source that is specified by the Authority under paragraph 10 of this condition as being an Additional Revenue Source

10. For the purposes of this condition, any source of revenue in relation to the operation of the Licensee's Interconnector shall only be considered an Additional Revenue Source if:
- (a) the licensee has notified the Authority in writing that it should be treated as an Additional Revenue Source; and
 - (b) the Authority has directed in writing to the licensee that it is an Additional Revenue Source.
11. For the purposes of this condition, development and associated costs related to Additional Revenue shall only be deducted from the Additional Revenue if the Authority has directed in writing to the licensee that such costs are deductible.
12. For the purpose of this condition, and in particular for the purposes of paragraph 10 of this condition, where the licensee considers that any source of revenue in relation to the operation of the Licensee's Interconnector may qualify as an Additional Revenue Source, it must notify the Authority in writing as soon as reasonably practicable.

Part E: Interpretation

13. For the purposes of this condition:

"Additional Revenue Source"	means any source of revenue in relation to the operation of the Licensee's Interconnector which is the subject of a direction of the Authority in accordance with paragraph 10 of this condition
"Capacity Provider Penalty Charges"	has the meaning given to that term in The Electricity Capacity Regulations 2014 (SI 2014/ 2043) as amended
"Firmness"	means a guarantee that cross-zonal capacity rights will remain unchanged and that compensation is paid if they are nevertheless changed
"GB Ancillary"	means:

Services”	<p>(a) such services as the licensee may be required to have available pursuant to the Grid Code; and/or</p> <p>(b) such services as the licensee may have agreed to have available as being ancillary services pursuant to any agreement made with the GB System Operator and which may be offered for purchase by the GB System Operator for the purpose of securing stability of operation of the national electricity transmission system in GB and the distribution system of any authorised electricity operator or any system linked to the national electricity transmission system in GB by the Licensee’s Interconnector</p>
“GB Interconnector Administrator”	has the meaning given to the term “Interconnector Administrator” in the BSC
“GB Capacity Market”	has the meaning given to the term “Capacity Market” in The Electricity Capacity Regulations 2014 (SI 2014/2043) as amended
“German Ancillary Services”	<p>means:</p> <p>(a) such services as may be made available in respect of the Licensee’s Interconnector pursuant to the relevant German legislation and/or industry codes as applicable, and/or</p> <p>(b) such services as may have been agreed in respect of the Licensee’s Interconnector as being ancillary services pursuant to any agreement made with the German System Operator and which may be offered for purchase by the German System Operator for the purpose of securing stability of operation of the national electricity transmission systems in Germany and the distribution system of any authorised electricity operator or any system linked to the national electricity transmission systems in Germany by the Licensee’s Interconnector</p>
“Trip Contract”	<p>means:</p> <p>(a) contracts; and/or</p> <p>(b) other forms of agreement specified in writing by the Authority,</p> <p>providing for energy sales and/or purchases on the intraday markets or other contracts with a third party to deliver/off-take power in the market for the purposes of managing trip</p>

	events or managing other forms of energy imbalance at the discretion of the Authority.
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Special Condition 6: Not used

Special Condition 7: Non-Controllable Costs

1. The purpose of this condition is to:
 - (a) calculate the Pass Through Adjustment for the licensee's Non-Controllable Operational Costs term (PTA_t);
 - (b) establish the process for determining the Income Adjusting Event Adjustment term (IAT_t); and
 - (c) establish the process for determining the Decommissioning Costs Adjustment At Cap term (DCC_t) and Decommissioning Costs Adjustment At Notional Floor term ($DCNF_t$) and/or Decommissioning Costs Adjustment At Actual Floor term ($DCAF_t$) (as applicable).
2. The PTA_t term is a revenue adjustment component that provides for the adjustment (whether upwards or downwards) of the Interconnector Revenue as a consequence of changes in the licensee's Non-Controllable Operational Costs.
3. The IAT_t term is an adjustment (whether upwards or downwards) to the calculation of the licensee's Assessed Revenue as a consequence of an Income Adjusting Event.
4. The DCC_t and $DCNF_t$ or $DCAF_t$ terms are adjustments (whether upwards or downwards) to the calculation of the Cap Level and the Notional Floor Level and/or the Actual Floor Level (as applicable), respectively, in special condition 2 (Cap Level and Floor Level) of this licence as a consequence of changes in legislative requirements for decommissioning the Licensee's Interconnector.

Structure of this condition

5. This condition is structured as follows:
 - (a) Part A of this condition sets out the calculation of the Pass Through Adjustment term (PTA_t);
 - (b) Parts B and C of this condition set out the calculation of components used in the calculations set out in Part A;
 - (c) Part D of this condition sets out the determination of the Income Adjusting Event Adjustment term (IAT_t);
 - (d) Part E of this condition sets out the determination of the Decommissioning Cost Adjustment At Cap term (DCC_t) and the Decommissioning Cost Adjustment At Notional Floor term ($DCNF_t$) and/or the Decommissioning Cost Adjustment At Actual Floor term ($DCAF_t$) (as applicable); and
 - (e) Part F of this condition sets out the definitions of defined terms used only in this condition.

Part A: Calculation of Pass Through Adjustment term (PTA_t)

6. For each Relevant Year, the value of the PTA_t term is calculated in accordance with the following formula:

$$PTA_t = NCOC_t$$

Where:

$NCOC_t$	means the Non-Controllable Operational Costs Adjustment term for Relevant Year t and is calculated in accordance with Part B of this condition
PTA_t	means the Pass Through Adjustment term for the Relevant Year t and is calculated in accordance with paragraph 6 of this condition

Part B: Calculation of Non-Controllable Operational Costs Adjustment term ($NCOC_t$)

7. For each Relevant Year, Baseline Non-Controllable Operational Costs ($BNCOC_t$) is assessed against Outturn Non-Controllable Operational Costs ($ONCOC_t$) in accordance with the following formula to calculate the Difference in Non-Controllable Operational Costs ($DNCOC_t$) term:

$$DNCOC_t = ONCOC_t - BNCOC_t$$

8. Without prejudice to paragraph 12 of this condition, the Authority will determine and specify in writing not later than six months after the end of the Relevant Year, that:
- it is satisfied that the $ONCOC_t$ has been economically and efficiently incurred and the $NCOC_t$ value, whether positive or negative, equals the $DNCOC_t$ value; or
 - it considers the $ONCOC_t$ has not been economically and efficiently incurred and the $NCOC_t$ value does not equal the $DNCOC_t$ value.
9. Where a determination is made by the Authority under paragraph 8(b) of this condition, the Authority will specify the value of the $NCOC_t$ which may be a positive or negative value.
10. The licensee shall use reasonable endeavours to minimise its $ONCOC_t$.
11. Where the licensee's $ONCOC_t$ is greater than the $BNCOC_t$, the licensee shall, alongside its Annual Cap and Floor RIGs submission, provide evidence as may be necessary to support the Authority's determination under paragraph 8 of this condition.
12. The Authority may, in addition to the information provided under paragraph 11 of this condition, request that the licensee provide such supplementary information or supporting evidence that the Authority considers appropriate and the timescale noted in paragraph 8 of this condition will be suspended accordingly until such time when such information has been provided to the Authority.

Where:

BNCOC _t	means the Baseline Non-Controllable Operational Costs for Relevant Year <i>t</i> and is calculated in accordance with Part C of this condition
DNCOC _t	means the Difference In Non-Controllable Operational Costs term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 7 of this condition
NCOC _t	means the Non-Controllable Operational Costs Adjustment term for Relevant Year <i>t</i> and is determined in accordance with paragraph 8 and paragraph 9 of this condition
ONCOC _t	means the Outturn Non-Controllable Operational Costs for Relevant Year <i>t</i> and is: <ul style="list-style-type: none"> (a) equal to costs incurred by the licensee for the Non-Controllable Operational Cost Items (as specified in paragraph 15 of this condition) for Relevant Year <i>t</i>; (b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i>; and (c) supplemented with any other analysis or information which the licensee considers sufficient to enable the Authority to fully assess the reasons for any difference(s) between the value of the ONCOC_t term and the value of the BNCOC_t term

Part C: Calculation of the Baseline Non-Controllable Operational Costs term (BNCOC_t)

13. The value of the Baseline Non-Controllable Operational Costs term is determined in accordance with the following formula:

$$BNCOC_t = BNCOA \times RPI_t \times PYAF_t$$

Where:

BNCOC _t	means the Baseline Non-Controllable Operational Costs for Relevant Year <i>t</i> and is calculated in accordance with paragraph 13 of this condition
BNCOA	means the Baseline Non-Controllable Operational Costs Allowance term expressed in real 2020/21 Sterling prices and is determined in accordance with paragraph 14 of this condition
RPI _t	means the Retail Price Index term for Relevant Year <i>t</i> and is calculated in accordance with Part F of special condition 2 (Cap Level and Floor Level) of this licence
PYAF _t	means the Partial Year Adjustment Factor term for Relevant Year <i>t</i> and shall be equal to the value of PYC _t term as calculated in accordance with Part G of special condition 2 (Cap Level and Floor

	Level) of this licence.
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14. The value of the Baseline Non-Controllable Operational Costs Allowance term (BNCOA) shall be determined by the Authority at the Post Construction Review and notified to the licensee in writing. The value of the BNCOA term shall be equal to Authority's assessment of the economic and efficient costs for items listed in paragraph 15 of this condition.
15. The Non-Controllable Operational Cost Items are defined as the following:
 - (a) Crown Estate Lease Fees;
 - (b) GB Property Rates; and
 - (c) GB Licence Fees.

Part D: Determination of the Income Adjusting Event term (IAT_t)

16. For any Relevant Year t where the licensee considers, and can provide supporting evidence that, in respect of Relevant Year t , there have been costs and/or expenses that have been incurred or saved by an Income Adjusting Event, the licensee may give written notice of this Income Adjusting Event to the Authority.
17. For the purposes of this condition, an Income Adjusting Event means an event or circumstance:
 - (a) which in the Authority's opinion constitutes a Force Majeure event under the special conditions of this licence; and
 - (b) as a consequence of which there are costs and/or expenses incurred or saved by the licensee which exceed 5 per cent of the (as applicable):
 - i. Notional Floor Level for Relevant Year t calculated in accordance with paragraph 4(b) of special condition 2 (Cap Level and Floor Level) of this licence with the Availability Incentive at Floor (AINF_t) term set to 1.00; or
 - ii. Actual Floor Level for Relevant Year t calculated in accordance with paragraph 4(c) of special condition 2 of this licence with the Availability Incentive at Actual Floor (AIAF_t) term set to 1.00.
18. A notice received by the Authority under paragraph 16 of this condition shall give particulars of:
 - (a) the event or circumstance to which the notice relates and the reason(s) why the licensee considers this event to be an Income Adjusting Event;
 - (b) the amount of any change in costs and/or expenses that can be demonstrated by the licensee to have been caused or saved by the event or circumstance;
 - (c) the proposed value of the IAT_t term as a consequence of that event or circumstance and how the proposed value of the IAT_t term has been calculated;

- (d) evidence to show that the proposed value of the IAT_t term is economic and efficient; and
 - (e) any other analysis or information, which the licensee considers sufficient to enable the Authority and the relevant parties to fully assess the event or circumstance to which the notice relates.
19. If the Authority considers that the analysis or information received under paragraph 18 of this condition is insufficient to enable the Authority to assess whether an Income Adjusting Event has occurred and/or whether the value of the IAT_t term should be approved, the Authority can request that the supporting evidence be supplemented with any additional information that it considers appropriate. If the Authority requests that the supporting evidence be supplemented with additional information, the licensee shall give such information to the Authority within one month of the Authority requesting such information.
20. A notice of an Income Adjusting Event referred to in paragraph 16 of this condition shall be given as soon as is reasonably practicable after the occurrence of the Income Adjusting Event, and, in any case, not later than three months after the end of the Relevant Year in which it occurs or such later date as the Authority may notify to the licensee.
21. The Authority may make public, excluding any confidential information, any notice of an Income Adjusting Event following its receipt.
22. Any notice received by the Authority under paragraph 16 of this condition should clearly identify whether any of the information contained in the notice is of a confidential nature. The Authority shall make the final determination as to confidentiality having regard to:
- (a) the need to exclude from disclosure, so far as is reasonably practicable, information whose disclosure the Authority considers would or might seriously prejudicially affect the interests of a person to which it relates; and
 - (b) the extent to which the disclosure of the information mentioned in sub-paragraph 22(a) of this condition is necessary for the purposes of enabling relevant parties (if any) to fully assess the event to which the notice relates.
23. The Authority will determine, after consultation with the licensee and such other persons as it considers desirable:
- (a) whether any or all of the costs and/or expenses given in a notice pursuant to paragraph 16 of this condition were caused or saved by an Income Adjusting Event; and
 - (b) if so, whether in the Authority's opinion, the Incoming Adjusting Event with respect to which the licensee has given notice under paragraph 16 of this condition, has been appropriately mitigated and managed by the licensee and whether the

Authority accepts the proposed value of the IAT_t term and if not specify the value of the IAT_t term.

24. In relation to the Relevant Year t , the Income Adjusting Event adjustment (IAT_t) shall be:
- (a) the value determined by the Authority under paragraph 23 of this condition; or
 - (b) if the Authority has not requested additional information under paragraph 19 of this condition and the Authority has not made a determination under paragraph 23 of this condition within three months of the date on which notice of an Income Adjusting Event was received by the Authority, the value of the IAT_t term proposed as a consequence of the event in the notice given to the Authority under paragraph 16 of this condition; or
 - (c) if the Authority requests additional information under paragraph 19 of this condition and the Authority has not made a determination under paragraph 23 of this condition within three months of receiving all additional information requested, the value of the IAT_t term proposed by the licensee in the notice given to the Authority under paragraph 16 of the condition; or
 - (d) in all other cases the value zero, including situations where the Authority has not made a determination under paragraph 23 of this condition within three months of the date on which the notice was received by the Authority, or within three months of the date on which the Authority received additional information if requested under paragraph 19, and the Authority has, before the end of the appropriate three month period, informed the licensee that the Authority considers that the analysis or information provided in accordance with paragraphs 18 and/or 19 is insufficient to enable the Authority to assess whether an Income Adjusting Event has occurred and/or the value of the IAT_t term.
25. The Authority's decision in relation to any notice given under paragraph 16 shall be in writing, shall be copied to the licensee and shall be published.
26. The Authority may revoke an approval of an Income Adjusting Event and the value of the IAT_t term with the consent of the licensee, following consultation with the licensee and relevant parties, and any such revocation of any Income Adjusting Event and the value of the IAT_t term shall be in writing, shall be copied to the licensee and shall be published.
27. Where a value for the IAT_t term has been determined under paragraph 23 or 24 of this condition, the formula for calculating the value of the NAR_t term specified in paragraph 3 of special condition 5 (Assessed Revenue) of this licence shall be replaced by the following formula:

$$NAR_t = GR_t - MRC_t - IAT_t$$

Where:

NAR _t	means the Notional Assessed Revenue term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 3 of special condition 5 (Assessed Revenue), except where the value of the IAT _t term has been determined under paragraph 23 or 24 of this condition, in which case it is calculated in accordance with paragraph 27 of this condition
GR _t	means the Gross Revenue term for Relevant Year <i>t</i> and is calculated in accordance with Part B of special condition 3 (Cap and Floor Assessment) of this licence
MRC _t	means the Market Related Costs term for Relevant Year <i>t</i> and is calculated in accordance with Part C of special condition 5 (Cap and Floor Assessment) of this licence
IAT _t	means the Income Adjusting Event term for Relevant Year <i>t</i> and is determined under paragraphs 23 or 24 of this condition

Part E: Determination of the Decommissioning Cost Adjustment At Cap term (DCC_t) and Decommissioning Cost Adjustment At Notional Floor term (DCNF_t) and/or Decommissioning Cost Adjustment At Actual Floor term (DCAF_t)

28. The DCC_t term and DCNF_t term or DCAF_t term are adjustments (whether upwards or downwards), expressed in 2020/21 Sterling prices, of the Cap Level and the Notional Floor Level and/or Actual Floor Level (as applicable), respectively, to account for the difference between:
- (a) the Authority's assessment, at the Post Construction Review stage, of the legislative requirements relating to the decommissioning of the Licensee's Interconnector and the economic and efficient costs associated with such requirements; and
 - (b) the Authority's re-assessment, at the request of the licensee at any point over the Regime Duration, of any subsequent changes in legislative requirements relating to the decommissioning of the Licensee's Interconnector and the changes in economic and efficient costs associated with such changes in requirements.
29. Where the licensee considers, and can provide supporting evidence, that there will be a reduction or increase in costs and/or expenses in relation to the licensee's obligations with respect to decommissioning of the Licensee's Interconnector that have arisen due to a change in legislative requirements at any point over the Regime Duration, then the licensee shall give written notice to the Authority.
30. Any notice received by the Authority under paragraph 29 shall give particulars of:
- (a) the change in legislative requirements to which the notice relates and the reason(s) why the licensee considers that there will be reduced or additional costs and/or expenses faced by the licensee in complying with those obligations, and

- demonstrate that such costs and/or expenses are not included within the Cap Level and the Notional Floor Level and/or the Actual Floor Level (as applicable) (or are included in the Cap Level and the Notional Floor Level and/or the Actual Floor Level (as applicable) but no longer should be);
- (b) the expected amount of any change in costs and/or expenses that can be demonstrated by the licensee to be caused by the change in decommissioning requirements and how the amount of these costs and/or expenses has been calculated;
 - (c) the proposed values of the adjustment to the Cap Level and the Notional Floor Level and/or the Cap Level and the Actual Floor Level (as applicable) (being the proposed values of the DCC_t term and $DCNF_t$ term and/or DCC_t term and $DCAF_t$ term) and the proposed duration over which such adjustment should apply (such duration not exceeding the Regime Duration);
 - (d) how such adjustment has been calculated, with supporting information; and
 - (e) any other analysis or information, which the licensee considers sufficient to enable the Authority to fully assess the change in legislative requirements to which the notice relates.
31. If the Authority considers that the analysis or information received under paragraph 30 is insufficient to enable the Authority to assess whether a change in decommissioning requirements has occurred, the Authority can request that the supporting evidence be supplemented with any additional information that it considers appropriate. If the Authority requests that the supporting evidence be supplemented with additional information, the licensee shall give such information to the Authority within one month of the Authority requesting such information.
32. A notice referred to in paragraph 29 of this condition shall be given as soon as is reasonably practicable after the occurrence of the change in legislative requirements, and, in any case, not later than three months after the end of the Relevant Year in which the change in requirements occurs.
33. Where the licensee has submitted a request in accordance with paragraphs 29 to 32 of this condition and has provided all relevant information in accordance with this Part E of this condition, the Authority shall issue a direction determining:
- (a) whether there has been a relevant change in legislative requirements and whether any or all of the costs and/or expenses given in a notice pursuant to paragraph 29 of this condition were caused by the change in legislative requirements; and
 - (b) if so, the periods, if any, over which the adjustment terms DCC_t and $DCNF_t$ or DCC_t , and $DCAF_t$ (as applicable) determined by the Authority should apply.
34. The Authority's determination under paragraph 33 shall be in writing, shall be copied to the licensee and shall be published.

35. Unless and until such determination is made, the DCC_t and $DCNF_t$ terms and/or DCC_t and $DCAF_t$ terms (as applicable) shall have the value zero.
36. Where the Authority has issued a direction under paragraph 33 of this condition, the formulae for calculating the Cap Level and the Notional Floor Level and/or the Actual Floor Level (as applicable) specified in paragraph 4(a) and 4(b) or 4(c) of special condition 2 (Cap Level and Floor Level) of this licence shall be replaced by the following formulae:
- (a) $CL_t = PYC_t \times (PCL + PCAC + ORAC + DCC_t) \times AIC_t \times RPI_t$; and
- (b) $NFL_t = PYF_t \times (PNFL + PCANF + ORANF + DCNF_t) \times AINF_t \times RPI_t$;
and/or
- (c) $AFL_t = PYF_t \times (PAFL + PCAAF + ORAAF + DCAF_t) \times AIAF_t \times RPI_t$

Where:

AFL_t	means the Actual Floor Level in Relevant Year t and is calculated in accordance with the formula in paragraph 36(c) of this condition
AIC_t	means the Availability Incentive Adjustment At Cap term for Relevant Year t and is determined in accordance with Part C of special condition 4 (Interconnector Availability Incentive) of this licence and shall have a value in the range specified in paragraph 17 of special condition 2 (Cap Level and Floor Level) of this licence
$AIAF_t$	means the Availability Incentive Adjustment At Actual Floor term for Relevant Year t and is determined in accordance with Part C of special condition 4 (Interconnector Availability Incentive) and shall have a value specified in paragraph 18 of special condition 2 (Cap Level and Floor Level)
$AINF_t$	means the Availability Incentive Adjustment At Notional Floor term for Relevant Year t and is determined in accordance with Part C of special condition 4 (Interconnector Availability Incentive) and shall have a value specified in paragraph 18 of special condition 2 Cap Level and Floor Level)
CL_t	means the Cap Level for Relevant Year t and is calculated in accordance with the formula in paragraph 36(a) of this condition
DCC_t	means the Decommissioning Cost Adjustment At Cap term for Relevant Year t and is determined in accordance with paragraph 33 of this condition

DCAF _t	means the Decommissioning Cost Adjustment At Actual Floor term for Relevant Year <i>t</i> and is determined in accordance with paragraph 33 of this condition
DCNF _t	means the Decommissioning Cost Adjustment At Notional Floor term for Relevant Year <i>t</i> and is determined in accordance with paragraph 33 of this condition
NFL _t	means the Notional Floor Level in Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 36(b) of this condition
PAFL	means the Preliminary Actual Floor Level term and is determined in accordance with paragraph 12(c) of special condition 2 (Cap Level and Floor Level) of this licence
PCAC	means the Post Construction Adjustment At Cap term and is determined in accordance with Part C of special condition 2 (Cap Level and Floor Level) of this licence
PCAAF	means the Post Construction Adjustment At Actual Floor term and is determined in accordance with Part C of special condition 2 (Cap Level and Floor Level) of this licence
PCANF	means the Post Construction Adjustment At Notional Floor term and is determined in accordance with Part C of special condition 2 (Cap Level and Floor Level) of this licence
PCL	means the Preliminary Cap Level term and is determined in accordance with paragraph 12(a) of special condition 2 (Cap Level and Floor Level) of this licence
PNFL	means the Preliminary Notional Floor Level term and is determined in accordance with paragraph 12(b) of special condition 2 (Cap Level and Floor Level) of this licence
RPI _t	means the Retail Price Index term for Relevant Year <i>t</i> and is calculated in accordance with Part F of special condition 2 (Cap Level and Floor Level) of this licence
PYC _t	means the Partial Year Cap Adjustment Factor term for Relevant Year <i>t</i> and is calculated in accordance with Part G of special condition 2 (Cap Level and Floor Level) of this licence
PYF _t	means the Partial Year Floor Adjustment Factor term for Relevant Year <i>t</i> and is calculated in accordance with Part G of special condition 2 (Cap Level and Floor Level) of this licence
ORAC	means the Opex Reassessment Adjustment At Cap term and is determined in accordance with Part D of special condition 2 (Cap Level and Floor Level) of this licence

ORAAF	means the Opex Reassessment Adjustment At Actual Floor term and is determined in accordance with Part D of special condition 2 (Cap Level and Floor Level) of this licence
ORANF	means the Opex Reassessment Adjustment At Notional Floor term and is determined in accordance with Part D of special condition 2 of this licence

37. In the event that:

- (a) monies have been paid to the licensee by the GB System Operator for the purposes of decommissioning the Licensee’s Interconnector (i.e. below Notional Floor Level payments and/or below Actual Floor payments (as applicable) have included allowances for costs and/or expenses in relation to the licensee’s obligations with respect to decommissioning of the Licensee’s Interconnector); and/or
- (b) monies have been retained by the licensee for the purposes of decommissioning the Licensee’s interconnector that would otherwise have been paid by the licensee to the GB System Operator (i.e. above Cap Level payments have been reduced to account for allowances for costs and/or expenses in relation to the licensee’s obligations with respect to decommissioning of the Licensee’s Interconnector); and
- (c) such monies are not required for the purposes of decommissioning the Licensee’s Interconnector at the end of the Regime Duration,

then the Authority shall determine, after consultation with the licensee and other such persons as it considers desirable, appropriate treatment of such monies in light of future plans for the operation of the Licensee’s Interconnector after the Regime Duration.

Part F: Interpretation

38. For the purposes of this condition:

“Confidential Information”	means any information relating to or deriving from the management or operation of the Licensee’s Interconnector business that is not published or otherwise legitimately in the public domain
“Crown Estate Lease”	means any lease, licence, or agreement between the licensee and the Crown Estate relating to the use of Crown Estate property to enable the operation of the Licensee’s Interconnector
“Crown Estate Lease Fees”	means costs paid in accordance with the licensee’s obligations set out in its Crown Estate Lease in respect of the annual rent of the seabed
“GB Licence Fees”	means costs paid in accordance with the licensee’s obligations under Standard Condition 2 (Payments by the licensee to the

	Authority) of this licence
“GB Property Rates”	<p>means:</p> <p>(a) in England and Wales, the rates payable by the licensee in respect of hereditaments on the Central Rating Lists (England and Wales) compiled under section 52 of the Local Government Finance Act 1988 and hereditaments on the Local Rating Lists compiled under sections 41 and 41A of the Local Government Finance Act 1988 (or any legislation amending or replacing those enactments);</p> <p>(b) in Scotland, the rates payable by the licensee in respect of any land and heritages on the Valuation Rolls compiled under the Local Government Scotland Act 1975, the Local Government etc (Scotland) Act 1994; and/or</p> <p>(c) such costs not falling under points (a) to (b) as the Authority specifies in writing as being costs that constitute property rates payable by the licensee in respect of the Licensee’s Interconnector.</p>
“Income Adjusting Event”	has the meaning set out in paragraph 17 of this condition

Special Condition 8: Process for determining the value of the Post Construction Adjustment terms

1. The purpose of this condition is to establish the process for determining the values of the Post Construction Adjustment (PCA) terms (the Post Construction Adjustment At Cap term (PCAC) and the Post Construction Adjustment At Notional Floor term (PCANF) and/or the Post Construction Adjustment At Actual Floor term (PCAAf) (as applicable)).
2. The PCA terms are the adjustment (whether upwards or downwards) of the Cap Level and the Notional Floor Level and/or the Cap Level and the Actual Floor Level (as applicable) to account for the difference between:
 - (a) the Authority's estimate, assumed in the Preliminary Cap Level and the Preliminary Notional Floor Level and/or the Preliminary Cap Level and the Preliminary Actual Floor Level (as applicable), of the costs associated with developing, constructing, operating, maintaining, financing and decommissioning of the Licensee's Interconnector; and
 - (b) the Authority's assessment, at the Post Construction Review stage, of the economic and efficient costs associated with developing, constructing, operating, maintaining, financing and decommissioning of the Licensee's Interconnector.
3. Setting the PCA values will require specific updates to the NeuConnect Cap And Floor Financial Models. These changes are set out within the NCFEMs handbook. The NeuConnect Cap And Floor Financial Models are defined within special condition 11.
4. The licensee shall submit a request to the Authority setting out the proposed value for the PCA terms with supporting information at:
 - (a) the earlier of either:
 - i. a date on which between 85 per cent and 95 per cent of development and capital expenditure, excluding interest during construction (and any snagging retention) has been committed to the development and construction of the Licensee's Interconnector; and
 - ii. the Full Commissioning Date; or
 - (b) such other date as may be agreed in writing by the Authority in accordance with paragraph 5 of this condition.
5. The licensee may request in writing that the Authority agree to an earlier or later submission of the PCA terms than specified in paragraph 4(a) provided that:
 - (a) the licensee provides supporting evidence of the reasons for submitting a request to the Authority outside the dates specified in paragraph 4(a) of this condition; and

- (b) any risks associated with contingency and unspent costs or future variations shall reside with the licensee.
6. The licensee shall give the Authority no less than 6 months' notice that it intends to submit a proposed value for the PCA terms for determination by the Authority under this condition.
 7. The licensee shall ensure that a request under paragraph 4 of this condition includes:
 - (a) the licensee's proposed values for the PCA terms;
 - (b) confirmation that the licensee's proposed PCA terms have been calculated in accordance with the NCFFMs and providing details of any calculation elements that are not in accordance with the model; and
 - (c) any other relevant information as may be specified by the Authority to facilitate its determination of the licensee's proposed values for the PCA terms.
 8. For the purpose of paragraph 7(c), the Authority may issue guidance specifying the relevant information to be provided by the licensee. Such guidance may contain appropriate provisions and / or requirements in respect of the format and content of submission to be made by the licensee to the Authority under this condition, including the areas to be covered and the type of information and evidence to be provided.
 9. The Authority will review the information submitted by the licensee under paragraph 7 of this condition and notify the licensee in writing within three months that:
 - (a) it has received all the information required to make a determination under paragraph 12 of this condition; or
 - (b) it has not received all the information required and specifies what further information is required.
 10. The Authority will only commence its determination of the appropriateness of the licensee's proposed value for the PCA terms if, in its opinion, the licensee's submission meets the requirements of guidance issued (if any) under paragraph 8 of this condition.
 11. Where the Authority has requested further information under paragraph 9(b) of this condition, the licensee shall provide such information to the Authority within one month of the Authority requesting such information.
 12. Subject to paragraph 14 of this condition, the Authority shall, within 12 months from the date of any notification under paragraph 9(a) of this condition, determine whether the licensee's proposed values for the PCA terms meet the following conditions:
 - (a) include only eligible costs, as set out in the FPA Decision, all of which must be deemed to be efficiently incurred; and
 - (b) have been calculated in accordance with the NCFFMs.

13. If the licensee's proposed values for the PCA terms do not meet the conditions specified in paragraph 12, the Authority will:
 - (a) specify the submission areas that are ineligible, inefficient, and/or not in accordance with the NCFMs and state the reasons behind that position;
 - (b) provide details of alternative treatments and why it considers them to be in accordance with paragraph 12 (a) and (b) of this condition; and
 - (c) provide updated values of the PCA terms which reflect the alternative treatments.
14. The 12 month period specified in paragraph 12 of this condition shall be paused on the date the Authority requests further information from the licensee under paragraph 9(b) of this condition and shall resume on the date the Authority issues a further notification under paragraph 9(a).
15. As soon as reasonably practicable after completing its determination under paragraph 12 of this condition, the Authority shall direct in writing the values of the PCA terms. The values of the PCA terms specified in such a direction shall take effect from the Regime Start Date.
16. Prior to completing its determination under paragraph 12 of this condition, the Authority shall consult with the licensee and any other relevant parties through a public consultation for a period of at least 28 days and consider any representations duly received within that period.

Special Condition 9: Process for determining the value of the Opex Reassessment Adjustment terms

1. The purpose of this condition is to establish the process for determining the value of the Opex Reassessment Adjustment (ORA) terms (the Opex Reassessment Adjustment At Cap term (ORAC) and the Opex Reassessment Adjustment At Notional Floor term (ORANF) and/or the Opex Reassessment Adjustment At Actual Floor term (ORAAF)) (as applicable).
2. The ORA terms are the adjustment (whether upwards or downwards) of the Cap Level and the Notional Floor Level and/or the Cap Level and the Actual Floor Level (as applicable) to account for the difference between:
 - (a) the Authority's assessment at the Post Construction Review stage of the economic costs associated with operating and maintaining the Licensee's Interconnector; and
 - (b) the Authority's reassessment, at the Opex Reassessment stage, of the economic and efficient costs associated with operating and maintaining the Licensee's Interconnector.
3. The value of the ORA terms shall be determined by the Authority not less than 10 years following the Regime Start Date, if either:
 - (a) such determination is requested by the licensee in accordance with paragraph 5 of this condition; or
 - (b) the Authority has notified the licensee, in accordance with paragraph 6 of this condition, that it considers such a determination to be appropriate,and in any case no more than once.
4. Until and unless such a determination is made, the ORA terms shall have the value zero.
5. Where such a determination is considered necessary, the licensee must submit a request to the Authority setting out the proposed values for the ORA terms with supporting information. The licensee must include all relevant and up to date cost information that the Authority may require to complete its reassessment.
6. The Authority may notify the licensee that it considers it appropriate to determine the values of the ORA terms. Such notification shall:
 - (a) be made in writing to the licensee; and
 - (b) set out the information that the licensee is required to provide to the Authority to complete its reassessment.
7. The licensee shall provide the information required under paragraph 6(b) of this condition within 3 months from the date of the Authority's notification.

8. The licensee shall ensure that all relevant information as may be specified by the Authority in accordance with paragraph 5 or paragraph 6(b) is submitted to the Authority to facilitate its reassessment and determination of the values of the ORA terms.
9. The Authority shall review the information submitted by the licensee pursuant to paragraph 5 or paragraph 6(b) of this condition and notify the licensee in writing within three months that:
 - (a) it has received all the information required to allow it to make its determination under paragraph 3(a) or paragraph 3(b) of this condition; or
 - (b) it has not received all the information required and specify what further information is required.
10. The Authority will, following a review of any further information submitted by the licensee pursuant to paragraph 9(b) of this condition, confirm in writing to the licensee, whether it has received all the information required by sending a notification to the licensee under paragraph 9(a) of this condition and, if not, specify what information remains outstanding.
11. Where the Authority, at any time after sending a notification to the licensee under paragraph 9(a) of this condition, concludes that the information provided by the licensee is not sufficient for the purposes of making a determination under paragraph 3(a) or paragraph 3(b) of this condition, the Authority shall specify in writing what further information is required in order for the Authority to issue a further notification under paragraph 9(a) of this condition.
12. The Authority will not commence its determination of the values of the ORA terms until the requirements of paragraph 8 of this condition have been met.
13. Where the Authority has requested further information under paragraph 9(b), paragraph 10 or paragraph 11 of this condition, the licensee shall provide such information to the Authority within one month of the Authority requesting such information.
14. Subject to paragraph 15 of this condition, the Authority shall, within 12 months from the date of any notification under paragraph 9(a) of this condition determine the values of the ORA terms under paragraph 3(a) or paragraph 3(b) of this condition.
15. The 12 month period specified in paragraph 14 of this condition shall be paused on the date the Authority requests further information from the licensee under paragraph 11 of this condition and shall resume on the date that the further notification under paragraph 9(a) of this condition is given to the licensee pursuant to paragraph 11 of this condition.
16. As soon as reasonably practicable after completing any determination under paragraph 3(a) or paragraph 3(b) of this condition, the Authority shall direct in writing the values of the ORA terms. The values of the ORA terms specified in such a direction shall take

effect from the start of the following Relevant Year.

17. Changes to decommissioning costs will not be considered at the reassessment of Operating Costs.
18. Prior to completing its determination under paragraph 3(a) or paragraph 3(b) of this condition, the Authority shall consult with the licensee and any other relevant parties for a period of at least 28 days and consider any representations duly received within that period.

Special Condition 10: Calculation of adjustments to the Interconnector Revenue

1. The purpose of this condition is to calculate the value of the Interconnector Cap And Floor Revenue Adjustment term (ICF_t).
2. The ICF_t term provides for the adjustment (whether upwards or downwards) of the Interconnector Revenue as a consequence of:
 - (a) the assessment of the licensee's Assessed Revenue against the Cap Level and the Notional Floor Level and/or the Actual Floor Level (as applicable) for each Relevant Year in accordance with special condition 3 (Cap and Floor Assessment) of this licence;
 - (b) the determination of any Pass Through Adjustment for each Relevant Year in accordance with Part A of special condition 7 (Non-Controllable Costs) of this licence;
 - (c) the trueing-up of the Interconnector Revenue as a consequence of any forecasting and/or reporting errors in previous Relevant Years;
 - (d) the determination of the Repayment Of Temporary Support Notional term ($RTSN_t$) and/or the Repayment Of Temporary Support Actual term ($RTSA_t$) (as applicable); and
 - (e) if applicable, the Extra Repayment Of Temporary Support Notional term ($ERTSN_t$) and/or the Extra Repayment Of Temporary Support Actual term ($ERTSA_t$) (as applicable).

Structure of this condition

3. This condition is structured as follows:
 - (a) Part A of this condition sets out the calculation of the Interconnector Cap And Floor Revenue Adjustment term (ICF_t);
 - (b) Part B of this condition sets out the calculation of the true-up term (TRU_t);
 - (c) Part C of this condition sets out the obligations on the licensee to set out and apply an appropriate methodology for the calculation of the Interconnector Cap And Floor Revenue Adjustment term (ICF_t);
 - (d) Part D of this condition sets out the calculation of the Revenue Excess At Notional Floor Level term ($RENFL_t$) and/or the Revenue Excess At Actual Floor Level term ($REAFL_t$) (as applicable);
 - (e) Part E of this condition sets out the calculation of the Repayment Of Temporary Support Notional term ($RTSN_t$) and/or the Repayment Of Temporary Support Actual term ($RTSA_t$) (as applicable);
 - (f) Part F of this condition sets out the calculation of the Outstanding Temporary Support Notional term ($OTSN_t$) and/or the Outstanding Temporary Support

- Actual term (OTSA_t) (as applicable);
- (g) Part G of this condition sets out the calculation of the Temporary Support Notional term (TSN_t) and/or the Temporary Support Actual term (TSA_t) (as applicable);
 - (h) Part H of this condition is not used; and
 - (i) Part I of this condition sets out certain obligations on the licensee to develop a methodology for calculating specific terms in a form approved by the Authority.

Part A: Calculation of the Interconnector Cap And Floor Revenue Adjustment term (ICF_t)

4. For each Relevant Year, the value of the ICF_t term shall be calculated in accordance with the following formula:

- (a) where the licensee has elected to have its Assessed Revenue assessed against the Cap Level and the Notional Floor Level:

$$ICF_t = (CNFA_t + PTA_t - RTSN_t - ERTSN_t) + TRU_t ; \text{ or}$$

- (b) where the licensee has elected to have its Assessed Revenue assessed against the Cap Level and the Actual Floor Level:

$$ICF_t = (CAFA_t + PTA_t - RTSA_t - ERTSA_t) + TRU_t$$

Where:

CAFA _t	means the Cap and Actual Floor Adjustment term for Relevant Year <i>t</i> and is calculated in accordance with Part A of special condition 3 (Cap and Floor Assessment) of this licence
CNFA _t	means the Cap and Notional Floor Adjustment term for Relevant Year <i>t</i> and is calculated in accordance with Part A of special condition 3 (Cap and Floor Assessment) of this licence
ERTSN _t	means the Extra Repayment Of Temporary Support Notional term for Relevant Year <i>t</i> and shall have the value specified by the licensee (at its discretion, and with the approval of the Authority) in the licensee's Annual Cap and Floor RIGs Submission (or, if no value is specified, shall be zero)
ERTSA _t	means the Extra Repayment Of Temporary Support Actual term for Relevant Year <i>t</i> and shall have the value specified by the licensee (at its discretion, and with the approval of the Authority) in the licensee's Annual Cap and Floor RIGs Submission (or, if no value is specified, shall be zero)
ICF _t	means the Interconnector Cap And Floor Revenue Adjustment term for Relevant Year <i>t</i> and is determined in accordance with paragraph 4 of this condition

PTA _t	means the Pass Through Adjustment term for Relevant Year <i>t</i> and is calculated in accordance with Part A of special condition 7 (Non-Controllable Costs) of this licence
RTSA _t	means the Repayment Of Temporary Support Actual term for Relevant Year <i>t</i> and is determined in accordance with Part D of this condition
RTSN _t	means the Repayment Of Temporary Support Notional term for Relevant Year <i>t</i> and is determined in accordance with Part D of this condition
TRU _t	means the True-up term for Relevant Year <i>t</i> and is calculated in accordance with Part B of this condition

Part B: Calculation of the True-up term (TRU_t)

5. In the event that forecasting or reporting errors occur with respect to the value of the ICF_t term for Relevant Year *t-1* calculated in accordance with Part C of this condition, the licensee shall submit, for approval by the Authority, a proposed value for the TRU_t term for Relevant Year *t* to reconcile such errors.
6. Any submission under paragraph 5 shall include:
 - (a) the licensee's proposed value of the TRU_t term;
 - (b) details of how the value of licensee's proposed TRU_t term has been calculated; and
 - (c) details of the forecasting and/or reporting errors identified by the licensee together with such information as may be necessary to demonstrate that the licensee's proposed TRU_t term accurately reconciles such errors.
7. The Authority may either approve the licensee's proposed value of the TRU_t term or specify an alternative value.
8. Any submission under paragraph 5 must be made by a date no later than 15 months after the end of Relevant Year *t-1* and in any case shall be submitted to the Authority at the same time as the licensee's Annual Cap and Floor RIGs Submission for Relevant Year *t*. Where the licensee cannot make its submission within that timescale, it may request the Authority to grant a timescale extension.
9. The timescale for submission specified in paragraph 8 shall only be extended where the Authority has agreed in writing to the licensee's request for a timescale extension.

Part C: Obligation on licensee regarding the calculation of the Interconnector Cap And Floor Revenue Adjustment term (ICF_t)

10. The ICF_t term is the term notified to the GB System Operator in accordance with Standard Condition 26 of this licence.

11. Subject to Part A of this condition, the value of the ICF_t term shall be calculated in accordance with the methodology established under paragraphs 12 and 13 of this condition.
12. The licensee shall, as soon as practicable, establish and maintain the ICF_t Methodology in a form approved by the Authority.
13. The ICF_t Methodology shall set out, as a minimum, the licensee's methodology for calculating the proposed value of the ICF_t term taking in to account:
 - (a) the relevant payment timescales prescribed in the CUSC; and
 - (b) the Nominal Operational Discount Rate (NODR) determined in accordance with paragraph 16 of this condition as applied to the relevant payment timescales.
14. The licensee shall notify the GB System Operator of the ICF_t term in accordance with Standard Condition 26 of this licence.
15. The value of the ICF_t term shall be paid by the licensee to the GB System Operator or the GB System Operator to the licensee in accordance with the following:
 - (a) if the value of the ICF_t term is greater than zero (positive value), then the Interconnector Revenue shall be adjusted upwards and accordingly, a sum equal to the magnitude of the ICF_t term shall be paid by the GB System Operator to the licensee in accordance with applicable requirements in the CUSC;
 - (b) if the value of the ICF_t term is less than zero (negative value), then the Interconnector Revenue shall be adjusted downwards and accordingly, a sum equal to the magnitude of the ICF_t term shall be paid by the licensee to the GB System Operator in accordance with applicable requirements in the CUSC; or
 - (c) if the value of the ICF_t term is equal to zero then the Interconnector Revenue shall not be adjusted and accordingly, no associated payment shall be required to be made by the licensee or the GB System Operator.
16. The value of the $NODR_t$ term for Relevant Year t shall be equal to the Bank of England Sterling Overnight Index Average (SONIA) applicable for the period under consideration plus a margin to be determined at Financial Close (based on a competitive debt raising process and with the approval of the Authority).

Part D: Calculation of the Revenue Excess At Notional Floor Level term ($RENFL_t$) and/or Revenue Excess At Actual Floor Level term ($REAFL_t$)

17. For each Relevant Year, the value of the Relevant Revenue At Notional Floor term ($RRNFL_t$) and/or the Relevant Revenue At Actual Floor term ($RRAFL_t$) (as applicable) is calculated in accordance with the following formula:
 - (a) $RRNFL_t = AR_t - NFL_t$; or

(b) $RRAFL_t = AR_t - AFL_t$

18. The value of the Revenue Excess At Notional Floor term ($RENFL_t$) and/or the Revenue Excess At Actual Floor term ($REAFL_t$) (as applicable) is determined as follows:

(a) where the licensee has elected to have the licensee’s Assessed Revenue assessed against the Notional Floor Level:

- a. if the value of $RRNFL_t$ term is greater than zero, then the value of the $RENFL_t$ term shall be equal to the value of the $RRNFL_t$ term; or
- b. if the value of $RRNFL_t$ term is zero or less than zero, then the value of the $RENFL_t$ term shall be zero; or

(b) where the licensee has elected to have the licensee’s Assessed Revenue assessed against the Actual Floor Level:

- a. if the value of $RRAFL_t$ term is greater than zero, then the value of the $REAFL_t$ term shall be equal to the value of the $RRAFL_t$ term; or
- b. if the value of $RRAFL_t$ term is zero or less than zero, then the value of the $REAFL_t$ term shall be zero.

Where:

AFL_t	means the Actual Floor Level in Relevant Year t and is calculated in accordance with the formula in paragraph 4(c) of special condition 2 (Cap Level and Floor Level), except where the Authority has issued a direction under paragraph 33 of special condition 7 (Non-Controllable Costs), in which case it shall be calculated in accordance with paragraph 36(c) of special condition 7 of this licence
AR_t	means the Assessed Revenue term for Relevant Year t and is determined in accordance with Part A of condition 5 of this licence
NFL_t	means the Notional Floor Level in Relevant Year t and is calculated in accordance with the formula in paragraph 4(b) of special condition 2 (Cap Level and Floor Level), except where the Authority has issued a direction under paragraph 33 of special condition 7 (Non-Controllable Costs), in which case it shall be calculated in accordance with paragraph 36(b) of special condition 7 of this licence
$REAFL_t$	means the Revenue Excess At Actual Floor Level term for Relevant Year t and is determined in accordance with paragraphs 18(b) of this condition
$RENFL_t$	means the Revenue Excess At Notional Floor Level term for Relevant Year t and is determined in accordance with paragraphs 18(a) of this condition

$RRAFL_t$	means the Relevant Revenue At Actual Floor Level term for Relevant Year t and is calculated in accordance with paragraph 17(b) of this condition
$RRNFL_t$	means the Relevant Revenue At Notional Floor Level term for Relevant Year t and is calculated in accordance with paragraph 17(a) of this condition

Part E: Calculation of the Repayment Of Temporary Support Notional term ($RTSN_t$) and/or the Repayment Of Temporary Support Actual term ($RTSA_t$)

19. The value of the $RTSN_t$ term or the $RTSA_t$ term (as applicable) shall be zero in the first Relevant Year.
20. For all Relevant Years (except in the first Relevant Year), the value of the $RTSN_t$ term or the $RTSA_t$ term (as applicable) is determined in accordance with the following:
 - (a) where the licensee has elected to have the licensee's Assessed Revenue assessed against the Notional Floor Level:
 - (i) if the value of the $RENFL_t$ term is greater than zero and the value of the $OTSN_t$ term:
 - i. is greater than zero but less than the value of the $RENFL_t$, then the value of the $RTSN_t$ term shall be equal to the value of the $OTSN_t$ term;
 - ii. is greater than zero but higher than the value of the $RENFL_t$, then the value of the $RTSN_t$ term shall be equal to the value of the $RENFL_t$ term;
 - or
 - iii. is zero, then the value of the $RTSN_t$ term is zero; or
 - (ii) in all other cases, the value of the $RTSN_t$ term is zero.
 - (b) where the licensee has elected to have the licensee's Assessed Revenue assessed against the Actual Floor Level:
 - (i) if the value of $REAFL_t$ term is greater than zero and the value of the $OTSA_t$ term:
 - i. is greater than zero but less than the value of the $REAFL_t$, then the value of the $RTSA_t$ term shall be equal to the value of the $OTSA_t$ term;
 - ii. is greater than zero but higher than the value of the $REAFL_t$, then the value of the $RTSA_t$ term shall be equal to the value of the $REAFL_t$ term;
 - or
 - iii. is zero, then the value of the $RTSA_t$ term is zero; or
 - (ii) in all other cases, the value of the $RTSA_t$ term is zero.

Where:

OTSA _t	means the Outstanding Temporary Support Actual term for Relevant Year <i>t</i> and is determined in accordance with Part F of this condition
OTSN _t	means the Outstanding Temporary Support Notional term for Relevant Year <i>t</i> and is determined in accordance with Part F of this condition
REAFL _t	means the Revenue Excess At Actual Floor Level term for Relevant Year <i>t</i> and is determined in accordance with Part D of this condition
RENFL _t	means the Revenue Excess At Notional Floor Level term for Relevant Year <i>t</i> and is determined in accordance with Part D of this condition
RTSA _t	means the Repayment Of Temporary Support Actual term for Relevant Year <i>t</i> and is determined in accordance with paragraphs 19 and 20(b) of this condition
RTSN _t	means the Repayment Of Temporary Support Notional term for Relevant Year <i>t</i> and is determined in accordance with paragraphs 19 and 20(a) of this condition

Part F: Calculation of the Outstanding Temporary Support Notional term (OTSN_t) and Capped Outstanding Temporary Support Notional term (CAPOTSN_t), and/or the Outstanding Temporary Support Actual term (OTSA_t) and the Capped Outstanding Temporary Support Actual term (CAPOTSA_t), and the Outstanding Temporary Support Before Equity Distribution term (OTSBED_t)

21. The OTSN_t term or the OTSA_t term (as applicable) is calculated in accordance with the following formula:

$$(a) \quad OTSN_t = ((OTSN_{t-1} - (RTSN_{t-1} + ERTSN_{t-1})) * (1 + NODR_t)) + TSN_t$$

$$(b) \quad OTSA_t = ((OTSA_{t-1} - (RTSA_{t-1} + ERTSA_{t-1})) * (1 + NODR_t)) + TSA_t$$

22. The CAPOTSN_t term or the CAPOTSA_t term (as applicable) is calculated in accordance with the following formula:

$$(a) \quad CAPOTSN_t = (\max(CAPOTSN_{t-1} - (RTSN_{t-1} + ERTSN_{t-1}); 0) \times (1 + NODR_t)) + TSN_t \times MATR_t$$

$$(b) \quad CAPOTSA_t = (\max(CAPOTSA_{t-1} - (RTSA_{t-1} + ERTSA_{t-1}); 0) \times (1 + NODR_t)) + TSA_t \times MATR_t$$

23. The OTSBED_t term is determined as follows:

- (a) where the licensee has elected to have the licensee's Assessed Revenue assessed against the Notional Floor Level, the OTSBED_t term is calculated in accordance with the following formula:

$$OTSBED_t = OTSN_t - (RTSN_t + ERTSN_t)$$

- (b) where the licensee has elected to have the licensee's Assessed Revenue assessed against the Actual Floor Level, the OTSBED_t term is calculated in accordance with the following formula:

$$OTSBED_t = OTSA_t - (RTSA_t + ERTSA_t).$$

24. Where the licensee has elected to have the licensee's Assessed Revenue assessed against the Notional Floor Level and/or the Actual Floor Level (as applicable), if the value of the OTSN_t term or the value of the OTSA_t term (as applicable) is greater than zero in the last Relevant Year, the Authority will extend relevant provisions of this licence into the Post Regime Duration Period to ensure that the licensee can repay consumers in full if necessary (until the value of the OTSN_t term or the value of the OTSA_t term is zero, as applicable).
25. The Minimum Availability Threshold Reached in Relevant Year *t* (MATR_t) indicates whether the Actual Availability in Relevant Year *t* (AA_t) is equal or above the Minimum Availability Target (MAT), and is determined as follows:
- (a) if the value of the APF_t term for Relevant Year *t* is greater than or equal to 1.00, then the value of the MATR_t term for Relevant Year *t* is 0.00; or
- (b) if the value of the APF_t term for Relevant year *t* is lower than 1.00, then the value of the MATR_t term for Relevant year *t* is 1.00.

Where:

AFL _t	means the Actual Floor Level in Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(c) of special condition 2 (Cap Level and Floor Level), except where the Authority has issued a direction under paragraph 33 of special condition 7 (Non-Controllable Costs), in which case it shall be calculated in accordance with paragraph 36(c) of special condition 7 of this licence
APF _t	means the Availability Performance At Floor term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 15 of special condition 4 (Interconnector Availability Incentive) of this licence
CAPOTSA _t	means the Capped Outstanding Temporary Support Actual term for Relevant Year <i>t</i> and is determined in accordance with paragraph 22 of this condition
CAPOTSA ₀	shall be equal to zero

CAPOTSN _t	means the Capped Outstanding Temporary Support Notional term for Relevant Year <i>t</i> and is determined in accordance with paragraph 22 of this condition
CAPOTSN ₀	Shall be equal to zero
MATR _t	means Minimum Availability Threshold Reached in Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 25 of this condition
NFL _t	means the Notional Floor Level in Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(b) of special condition 2 (Cap Level and Floor Level), except where the Authority has issued a direction under paragraph 33 of special condition 7 (Non-Controllable Costs), in which case it shall be calculated in accordance with paragraph 36(b) of special condition 7 of this licence
OTSA _t	means the Outstanding Temporary Support Actual term for Relevant Year <i>t</i> and is determined in accordance with paragraph 21(b) of this condition
OTSA ₀	shall be equal to zero
OTSBED _t	means the Outstanding Temporary Support Before Equity Distribution and is determined in accordance with paragraph 23 of this condition
OTSBED ₀	shall be equal to zero
OTSN _t	means the Outstanding Temporary Support Notional term for Relevant Year <i>t</i> and is determined in accordance with paragraph 21(a) of this condition
OTSN ₀	shall be equal to zero
RTSA _t	means the Repayment Of Temporary Support Actual term for Relevant Year <i>t</i> and is determined in accordance with Part E of this condition
RTSN _t	means the Repayment Of Temporary Support Notional term for Relevant Year <i>t</i> and is determined in accordance with Part E of this condition
TSA _t	means the value of the Temporary Support Actual term for Relevant Year <i>t</i> and is determined in accordance with Part G of this condition
TSN _t	means the value of the Temporary Support Notional term for Relevant Year <i>t</i> and is determined in accordance with Part G of this condition
ERTSN _t	means the Extra Repayment Of Temporary Support Notional term for Relevant Year <i>t</i> and shall have the value specified by the licensee (at its discretion) in the licensee's Annual Cap and Floor RIGs Submission (or, if no value is specified, shall be zero)

ERTSA _t	means the Extra Repayment Of Temporary Support Actual term for Relevant Year <i>t</i> and shall have the value specified by the licensee (at its discretion) in the licensee’s Annual Cap and Floor RIGs Submission (or, if no value is specified, shall be zero)
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Part G: Calculation of the Temporary Support Notional term (TSN_t) and/or the Temporary Support Actual term (TSA_t)

26. For each Relevant Year, the value of the Temporary Support Notional term (TSN_t) and/or the Temporary Support Actual term (TSA_t) (as applicable) is calculated when the value of the REC_t term is zero and is determined as follows:
- (a) where the licensee has elected to have the licensee’s Assessed Revenue assessed against the Notional Floor Level:
 - i. if the value of the APF_t term is less than 1.00 and the value of the AINF_t term is 1.00 or a fraction of 1.00 (as elected by the licensee in accordance with paragraph 16 of special condition 4 (Interconnector Availability Incentive)), and the value of the RSNF_t term is greater than zero, then the value of the TSN_t term shall be equal to the value of the RSNF_t term for the Relevant Year *t*; or
 - ii. in all other cases, the value of the TSN_t term shall be equal to zero for that Relevant Year *t*; or
 - (b) where the licensee has elected to have the licensee’s Assessed Revenue assessed against the Actual Floor Level:
 - i. if the value of the APF_t term is less than 1.00 and the value of the AIAF_t term is 1.00 or a fraction of 1.00 (as elected by the licensee in accordance with paragraph 16 of special condition 4 (Interconnector Availability Incentive)), and the value of the RSAF_t term is greater than zero, then the value of the TSA_t term shall be equal to the value of the RSAF_t term for the Relevant Year *t*; or
 - ii. if the value of the APF_t term is equal to or greater than 1.00 and the value of the RSAF_t term is greater than zero, and the AFL_t term is greater than the NFL_t term for the Relevant Year *t*; then the value of the TSA_t term shall be equal to the lower of:
 - a. the RSAF_t term for the Relevant Year *t*; and
 - b. the difference between the AFL_t term and the NFL_t term for the Relevant Year *t*; or
 - iii. in all other cases, the value of the TSA_t term shall be equal to zero for that Relevant Year *t*.

Where:

AFL _t	means the Actual Floor Level in Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(c) of this condition except where the Authority has issued a direction under paragraph 33 of special condition 7 (Non-Controllable Costs), in which case it shall be calculated in accordance with paragraph 36(c) of special condition 7 of this licence
AIAF _t	means the Availability Incentive Adjustment At Actual Floor term for Relevant Year <i>t</i> and is determined in accordance with paragraph 16(a) and 16(c) of special condition 4 (Interconnector Availability Incentive) of this licence
AINF _t	means the Availability Incentive Adjustment At Notional Floor term for Relevant Year <i>t</i> and is determined in accordance with paragraph 16(a) and 16(b) of special condition 4 (Interconnector Availability Incentive) of this licence
APF _t	means the Availability Performance At Floor term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 15 of special condition 4 (Interconnector Availability Incentive) of this licence
NFL _t	means the Notional Floor Level in Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(b) of special condition 2 (Cap Level and Floor Level), except where the Authority has issued a direction under paragraph 33 of special condition 7 (Non-Controllable Costs), in which case it shall be calculated in accordance with paragraph 36(b) of special condition 7 of this licence
REC _t	means the Revenue Excess At Cap term for Relevant Year <i>t</i> and is determined in accordance with Part B of special condition 3 (Cap and Floor Assessment) of this licence
RSAF _t	means the Revenue Shortfall At Actual Floor term for Relevant Year <i>t</i> and is determined in accordance with Part C of special condition 3 (Cap and Floor Assessment) of this licence
RSNF _t	means the Revenue Shortfall At Notional Floor term for Relevant Year <i>t</i> and is determined in accordance with Part C of special condition 3 (Cap and Floor Assessment) of this licence
TSA _t	means the value of the Temporary Support Actual term for Relevant Year <i>t</i> and is determined in accordance with paragraph 26(b) of this condition
TSN _t	means the value of the Temporary Support Notional term for Relevant Year <i>t</i> and is determined in accordance with paragraph 26(a) of this condition

Part H:

Not used.

Part I: Maintaining a methodology for the calculation of specific terms

27. The licensee shall, as soon as practicable, establish and maintain a Methodology for the calculation of the following terms in a form approved by the Authority:
- (a) the value of the TSN_t term or the TSA_t term (as applicable) for each Relevant Year in accordance with Part G of this condition;
 - (b) the value of the $RTSN_t$ term or the $RTSA_t$ term (as applicable) for each Relevant Year in accordance with Part D of this condition;
 - (c) the value of the $RENFL_t$ term or the $REAFL_t$ term (as applicable) for each Relevant Year in accordance with Part E of this condition;
 - (d) the value of the $OTSN_t$ term or the $OTSA_t$ term (as applicable) for each Relevant Year in accordance with Part F of this condition;
 - (e) the value of the $OTSBED_t$ term for each Relevant Year in accordance with Part F of this condition; and
 - (f) the value of the $CAPOTSN_t$ term or the $CAPOTSA_t$ term (as applicable) for each Relevant Year in accordance with Part F of this condition.
28. The Methodology referred to in paragraph 27 of this condition, shall set out, as a minimum, the licensee’s methodology for calculating the proposed value of each relevant terms set out in paragraphs 27(a) to 27(f) taking in to account:
- (a) the relevant timescale to ensure that any payment to consumers is calculated to reflect Net Present Value basis;
 - (b) the $NODR_t$ determined in accordance with paragraph 16 of this condition as applied to the relevant payment timescales; and
 - (c) the need to ensure that the licensee does not make any Equity Distribution related to the licensee’s investment in the Licensee’s Interconnector, until the value of the $OTSBED_t$ term is zero, ~~taking into account~~ provided that the amount of any funds contained in a ring-fenced account, for the benefit of the GB System Operator (with the approval of the Authority), such funds to be paid to the GB System Operator at the relevant time as determined in accordance with this condition and the CUSC), shall be deducted from the value of the $OTSBED_t$ term for this purpose.

Where:

$CAPOTSA_t$	means the Capped Outstanding Temporary Support Actual term for Relevant Year t and is determined in accordance with paragraph 22 of this condition
$CAPOTSN_t$	means the Capped Outstanding Temporary Support Notional term for Relevant Year t and is determined in accordance with paragraph 22 of this condition

Equity Distribution	means the distribution of any return and/or dividend on the equity investment in the Licensee's Interconnector (without prejudice to the 50% <u>costs and revenues</u> sharing principle of the cap and floor regime) irrespective of the proportion of the Licensee's Interconnector that is owned by the licensee or that the licensee is authorised to participate in the operation of by virtue of this licence.
OTSBED _t	means the Outstanding Temporary Support Before Equity Distribution term for Relevant Year <i>t</i> and is determined in accordance with Part F of this condition
REAFL _t	means the Revenue Excess At Actual Floor Level term for Relevant Year <i>t</i> and is determined in accordance with Part D of this condition
RENFL _t	means the Revenue Excess At Notional Floor Level term for Relevant Year <i>t</i> and is determined in accordance with Part D of this condition
RTSA _t	means the Repayment Of Temporary Support Actual term for Relevant Year <i>t</i> and is determined in accordance with Part E of this condition
RTSN _t	means the Repayment Of Temporary Support Notional term for Relevant Year <i>t</i> and is determined in accordance with Part E of this condition
TSA _t	means the value of the Temporary Support Actual term for Relevant Year <i>t</i> and is determined in accordance with Part G of this condition
TSN _t	means the value of the Temporary Support Notional term for Relevant Year <i>t</i> and is determined in accordance with Part G of this condition

Special Condition 11: NeuConnect Cap And Floor Financial Model Governance

1. This condition sets out the governance provisions for the NeuConnect Cap And Floor Financial Models (the “NCFMFs”), including the process for introducing amendments to the NCFMFs.
2. The NCFMFs are comprised of the following:
 - a. the NeuConnect Cap And Floor Financial Model 1 (NCFMF1); and
 - b. the NeuConnect Cap And Floor Financial Model 2 ([NCFMF2](#)).

Part A: General governance provisions

3. The NCFMFs do not form part of this licence.
4. The following specific financial parameters, calculated by or with the use of the NCFMFs, once determined by the Authority, shall form part of the licence conditions:
 - (a) the Preliminary Cap Level term (PCL)
 - (b) Preliminary Actual Floor Level term (PAFL) and Preliminary Notional Floor Level term (PNFL) (as applicable);
 - (c) Post Construction Adjustment At Cap term (PCAC);
 - (d) Post Construction Adjustment At Actual Floor term (PAAAF) or Post Construction Adjustment At Notional Floor term (PCANF) (as applicable);
 - (e) Opex Reassessment Adjustment At Cap term (ORAC); and
 - (f) Opex Reassessment Adjustment At Actual Floor term (ORAAF) or Opex Reassessment Adjustment At Notional Floor term (ORANF) (as applicable).
5. In the event of any conflict between the provisions of this licence and the NCFMFs, the provisions of this licence shall prevail.
6. If the licensee becomes aware of any conflict between the provisions of this licence and the NCFMFs, the licensee shall give written notice of such conflict to the Authority as soon as reasonably practicable.
7. Where the Authority identifies a conflict between the provisions of this licence and the NCFMFs or is notified of any such conflict by the licensee in accordance with paragraph 5 of this condition, the Authority may take such actions as it considers appropriate to resolve such conflict, including:
 - (a) directing amendments to the provisions of this licence in accordance with the relevant statutory licence modification process pursuant to section 11A of the Act; or

- (b) directing amendments to the NCFFMs, in accordance with provisions of Part B of this licence condition.
- 8. The NCFFMs may only be modified by the Authority in accordance with the provisions of Part B of this condition.
- 9. Pre-defined changes to the NCFFMs made by the Authority as part of the normal process by which the Authority carries out the assessment of the Assessed Revenue, in accordance with the special conditions of this licence, will not be considered a modification of the NCFFMs.

Part B: Modification of the NCFFMs

- 10. The NCFFMs may be modified by the Authority in the following circumstances:
 - (a) to address any conflict between the provisions of this licence and the NCFFMs as described in paragraph 6 of this condition; or
 - (b) where the Authority deems any such modifications to be necessary to further the objectives of the NCFFMs, which are to facilitate the process by which the Authority effects adjustments to the Cap Level and the Notional Floor Level and/or the Actual Floor Level (as applicable) and the Licensee's Interconnector Revenue, in accordance with the special conditions of this licence; or
 - (c) where the Authority, after establishing the Preliminary Cap Level and the Preliminary Notional Floor Level and/or Preliminary Actual Floor Level (as applicable) for the licensee, deems any such modifications to be necessary to correct an error of functionality discovered within the NCFFMs.
- 11. Without prejudice to paragraph 13, the Authority may issue a direction to modify the NCFFMs - in such manner, and to such extent, that it considers necessary to address the issues described in paragraph 10 of this condition.
- 12. Any direction issued under paragraph 11 of this condition shall not have effect unless, before it is made, the Authority:
 - (a) has given notice to the licensee stating that it proposes to modify the NCFFMs:
 - (i) specifying the date on which it proposes that the provisions of the modified NCFFMs should take effect;
 - (ii) setting out the text of the modified NCFFMs and the Authority's reasons for the proposed modifications;
 - (iii) specifying the time (which must not be less than a period of 28 days from the date of the notice) within which representations may be made;
 - (b) has considered any representations, by any relevant stakeholder, in response to the notice that are duly made and not withdrawn; and

(c) has published any notice issued under this paragraph on the Authority’s website.

13. Where the Authority and the licensee agree that the modification to NCFMFs specified in paragraph 11 is immaterial, then the Authority may, without following the process described in paragraph 12, modify the NCFMFs after a bilateral consultation with the licensee.

Part C: Availability and updating of NCFMFs

14. In relation to the publication and availability of the NCFMFs, the Authority will:

- (a) ensure that any relevant modifications under paragraph 11 of the NCFMFs are promptly incorporated into the version of the NCFMFs maintained on the Authority’s website; and
- (b) maintain and publish an up-to-date schedule of any modifications referred to in paragraph 8 of this condition.

Part D: Interpretation

15. For the purposes of this condition:

PCAC	means the Post Construction Adjustment At Cap term and is determined in accordance with Part C of special condition 2 (Cap Level and Floor Level) of this licence
PCAAF	means the Post Construction Adjustment At Actual Floor term and is determined in accordance with Part C of special condition 2 (Cap Level and Floor Level) of this licence
PCANF	means the Post Construction Adjustment At Notional Floor term and is determined in accordance with Part C of special condition 2 (Cap Level and Floor Level) of this licence
PAFL	means the Preliminary Actual Floor Level term and is determined in accordance with paragraph 12(c) of special condition 2 (Cap Level and Floor Level) of this licence
PCL	means the Preliminary Cap Level term and is determined in accordance with paragraph 12(a) of special condition 2 (Cap Level and Floor Level) of this licence
PNFL	means the Preliminary Notional Floor Level term and is determined in accordance with paragraph 12(b) of special condition 2 (Cap Level and Floor Level) of this licence
ORAC	means the Opex Reassessment Adjustment At Cap term and is determined in accordance with Part D of special condition 2 (Cap Level and Floor Level) of this licence

ORAAF	means the Opex Reassessment Adjustment At Actual Floor term and is determined in accordance with Part D of special condition 2 (Cap Level and Floor Level) of this licence
ORANF	means the Opex Reassessment Adjustment At Notional Floor term and is determined in accordance with Part D of special condition 2 (Cap Level and Floor Level) of this licence