

Electricity Transmission -TO

Special Condition 5.8. The strategic innovation fund (SIFt)

Introduction

XX.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term SIFt. This contributes to the calculation of the term ORAt (the other revenue allowances term), which in turn feeds into the calculation of the Calculated Revenue in Special Condition 2.1 (Revenue restriction).

XX.2 The effect of this condition is to provide funding for Eligible SIF Projects by means of payments received from NGESO (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.

XX.3 This condition also makes provision for arrangements relating to the regulation, administration, and governance of the SIF.

Part A: Determination of the value of the SIFt term

XX.4 The SIFt term is established in accordance with the following formula:

$SIF_t = SIFF_t - SIFR_t$

SIFFt means the sum of SIF Funding allowances, as directed by the Authority under Part A.

SIFRt has the value of zero unless otherwise directed by the Authority in accordance with Part B.

The SIFt term is the net amount of SIF Funding less any SIF Funding Return for the Regulatory Year that is to be paid to the licensee by the NGESO, or vice versa, in accordance with the direction issued for that purpose by the Authority pursuant to the provisions of Part A of Special Condition 3.4 (The strategic innovation fund) in the Transmission Licence held by the NGESO.

XX.5 In each Regulatory Year, as provided for by the SIF Governance Document and in accordance with the appropriate provisions of NGESO's Transmission Licence, the Authority will calculate and then, by direction given to the licensee and other Transmission Licensees will specify:

(a) the net amount of the SIFt term;

(b) how the amount of that term has been calculated, taking account of any SIF Funding Return; and

(c) the manner in which and the timescale over which NGESO is required to transfer that amount to the licensee or vice versa.

Part B: The SIF Funding Return Mechanism

XX.6 The Authority may direct how SIF Returned Project Revenues (SIFRt) should be paid to customers through the SIF Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.

XX.7 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority will calculate and then, by direction given to the licensee, will specify:

(a) the amount of any SIF Funding Return that the licensee must pay to NGESO; and

Commented [FS1]: Updated as per SSEN response.

Commented [FS2]: No longer required – as SIFRt is calculated separately under Part B.

Commented [FS3]: Assume, for Transmission, this would be through network charges (i.e. TNUoS, in accordance with other funding streams such as NIA)?

(b) the manner in which and the timescale over which that amount is to be paid.

XX.8 The licensee must comply with any direction that is issued by the Authority under paragraph 5.8.7

Part C: The SIF Governance Document

XX.9 The licensee must comply with the SIF Governance Document

XX.10 The Authority will issue and amend the SIF Governance Document by direction.

XX.11 The Authority will publish the SIF Governance Document on the Authority's Website.

XX.12 The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including:

(a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of Proposed SIF Projects;

(b) the evaluation criteria against which the funding of such Proposed SIF Projects will be assessed and approved (where necessary);

(c) the process and procedures that will be in place for the assessment, approval, and financing of such Proposed SIF Projects funding (where necessary);

(d) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other Transmission licensees;

(e) the nature of the reporting obligations in respect of such Eligible SIF Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and

(f) arrangements relating to the treatment of intellectual property rights including SIF Returned Royalty Income in respect of Eligible SIF Projects.

(g) details of the Authority's methodology for calculating whether to direct a value in accordance with Part B (SIF Funding Return).

Part D: Procedure for issuing and revising the SIF Governance Document

XX.13 Before directing that the SIF Governance Document comes into effect the Authority will publish on the Authority's Website:

(a) the text of the proposed SIF Governance Document;

(b) the date that the Authority intends the SIF Governance Document to come into effect; and

(c) the time within which representations may be made on the content of the SIF Governance Document, which will not be less than 28 days.

XX.14 Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:

(a) the text of the amended SIF Governance Document;

- (b) the date on which the Authority intends the amended SIF Governance Document to come into effect;
- (c) the reasons for the amendments to the SIF Governance Document; and
- (d) a period during which representations may be made on the amendment to the SIF Governance Document, which will not be less than 28 days.

Appendix 1

SIF baseline allowances (SIF.)

<u>Eligible SIF Project</u>	<u>Allowance</u>					<u>Total Allowance (All years)</u>
	<u>21/22</u>	<u>22/23</u>	<u>23/24</u>	<u>24/25</u>	<u>25/26</u>	
<u>[Description of SIF Project]</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>