

Schedule 3B – Reasons and effects of proposed modifications to the special conditions of the electricity licence held by National Grid IFA 2 Limited (NGIFA2)

Special Condition 1: Definitions and Interpretation

The reason for modifying this condition is to:

- (a) insert a new definition for 'IFA2 Cap and Floor Financial Model 1 (IFA2CFFM1)';
- (b) insert a new definition for 'IFA2 Cap and Floor Financial Model 2 (IFA2CFFM2)';
- (c) amend the definition of 'Regime Start Date' so that it refers to the actual start date of NGIFA2's cap and floor regime.

The effect of these modifications is to specify NGIFA2's Regime Start Date and insert newly defined terms introduced by our proposed amendments to special condition 11.

Special Condition 7: Non-Controllable Costs

The reason for modifying this special condition is to add a reference to the new defined term 'IFA2CFFM2' and require the licensee to ensure that any proposed adjustments, included in any notice under paragraph 30 of this condition, are in accordance with the IFA2 Cap and Floor Financial Model 2 (IFA2CFFM2).

The effect of this modification is to update the condition so that it correctly refers to the new defined term, 'IFA2CFFM2' and ensure that proposed adjustments that are submitted in any notice under paragraph 30 of that condition, is in accordance with the IFA2 Cap and Floor Financial Model 2 (IFA2CFFM2).

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

The reasons for modifying this special condition is to amend references to the now redundant defined term 'IFA2 Cap and Floor Financial Model' and replace it with the new defined term IFA2 Cap and Floor Financial Model 1 ('IFA2CFFM1');

The effect of these modifications is to ensure that the licence condition correctly refers to the newly defined term 'IFA2CFFM1'.

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

The reason for modifying this special condition is to add a reference to the new defined term 'IFA2CFFM2'.

The effect of these modifications is to ensure that the licence condition correctly refers to the new defined term 'IFA2CFFM2'.

Special Condition 11: IFA2 Cap and Floor Financial Model Governance

The reason for modifying this special condition is to provide details on the IFA2CFFMs; IFA2CFFM1 and IFA2CFFM2. This is to reflect financial model governance arrangements for NGIFA2. The defined term 'IFA2 Cap And Floor Financial Model (IFA2CFFM)' has been deleted, as it is now redundant.

The effect of this modification is ensure that the licence reflects financial model governance arrangements for NGIFA2.