

## Special Condition 7.3 Transportation owner legacy MOD ( $LMOD_t$ )

### Introduction

- 7.3.1 The purpose of this condition is to set out the process the Authority will follow when directing values for  $LMOD_t$  (the transportation owner legacy MOD term). This contributes to the calculation of the term  $LAR_t$  (the transportation owner legacy adjustments term), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 7.3.2 The effect of this condition is to reflect the close out of the GT1 Price Control Financial Model.

### Part A: Authority Assessment and direction

- 7.3.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of  $LMOD_t$  is derived in accordance with the following formula:

$$LMOD_t = MOD_t \times RPIF_t$$

where:

- $MOD_t$  has the value directed by the Authority coinciding with the Annual Iteration Process, related to revisions to the GT1 Price Control Financial Model, performed in accordance with Chapter 8 (legacy) of the GT2 Price Control Financial Handbook; and
- $RPIF_t$  has the value of  $RPIF_t$  derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

- 7.3.4 For the Regulatory Years commencing on 1 April 2023, 1 April 2024 and 1 April 2025 the value of  $LMOD_t$  is derived in accordance with the following formula:

$$LMOD_t = COA \cdot CWACC_t \cdot \frac{PI_t}{PI_{2018/19}}$$

where:

- $COA$  means the closeout adjustment in 2018/19 prices, and has the value directed by the Authority in accordance with Chapter 8 (Legacy) of the GT2 Price Control Financial Handbook;
- $CWACC_t$  means compound WACC and has the value derived in accordance with Part B;
- $PI_t$  has the value given to it by Part F of Special Condition 2.1; and
- $PI_{2018/19}$  has the value given to it by Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2018.

For Regulatory Years commencing 1 April 2024 and 1 April 2025 there are no  $LMOD_t$  values.

~~7.3.4~~7.3.5 Before making a direction under paragraph ~~7.3.3~~ and 7.3.4 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## **Part B: Compound WACC**

7.3.6 For the Regulatory Year commencing on 1 April 2021,  $CWACC_t$  has the value of 1.

7.3.7 For Regulatory Years commencing on or after 1 April 2022,  $CWACC_t$  is derived in accordance with the following formula:

$$CWACC_t = \prod_{t=2021/22}^{t-1} (1 + WACC_t)$$

where:

$WACC_t$  means vanilla weighted average cost of capital, derived set out in accordance with the GT2 Price Control Financial Handbook.

## **Special Condition 7.5 Transportation owner legacy TRU term ( $LTRU_t$ )**

### **Introduction**

- 7.5.1 The purpose of this condition is to calculate the term  $LTRU_t$  (the transportation owner legacy TRU term). This contributes to the calculation of the term  $LAR_t$  (the transportation owner legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 7.5.2 The effect of this condition is to close out the RIIO-GT1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 to 1 April 2024 reflects TRU adjustments relating to Regulatory Years commencing on 1 April 2017 to 1 April 2020 respectively.

### **Part A: Formula for calculating the transportation owner legacy TRU term ( $LTRU_t$ )**

- 7.5.3 For the Regulatory Years commencing on 1 April 2021 to 1 April ~~2024~~2022, the value of  $LTRU_t$  is derived in accordance with the following formula:

$$LTRU_t = TRU_t \cdot RPIF_t$$

where:

$TRU_t$  is derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021; and

$RPIF_t$  is derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

7.5.4 For the Regulatory Years commencing on 1 April 2023 to 1 April 2024, the value of  $LTRU_t$  is derived in accordance with the following formula:

$$LTRU_t = \left[ \frac{RPIA_{t-2} - RPIF_{t-2}}{RPIA_{t-2}} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot REV_{t-2} \cdot \frac{PI_t}{PI_{2009/10}}$$

where:

$RPIA_t$  has the value given to it by Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021;

$RPIF_t$  has the value of  $RPIF_t$  as determined in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

$REV_{t-2}$  has the value of  $REV_{t-2}$  as determined in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021. For this calculation the component PU (Opening Base demand Revenue Allowance) is zero.

$LPVF_t$  has the value derived in accordance with paragraph 7.5.5.

$PI_t$  has the value given to it by Part F of Special Condition 2.1; and

$PI_{2009/10}$  has the value given to it by Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2009.

7.5.5 The value of  $LPVF_t$  is derived in accordance with the following formula:

$$LPVF_t = 1 + WACC_t$$

where:

$WACC_t$  means vanilla weighted average cost of capital, derived set out in accordance with the GT2 Price Control Financial Handbook.

7.5.4 7.5.6 The value of  $LTRU_t$  for Regulatory Years commencing on or after 1 April 2025 is zero.

## Special Condition 7.9 Legacy net RAV additions (LRAV<sub>t</sub>)

### Introduction

- 7.9.1 This condition explains the process the Authority will follow when directing values for the term LRAV<sub>t</sub> (the legacy RIIO-1 net RAV additions term). This contributes to the calculation of the term DPN<sub>t</sub> (the depreciation term as calculated by the GT2 Price Control Financial Model), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 7.9.2 The effect is to reflect the close out of the RIIO-GT1 Price Control Financial Model, in respect of legacy net RAV additions.

### Part A: Authority assessment and direction

- 7.9.3 The Authority will direct revisions to LRAV<sub>t</sub>, coinciding with the Annual Iteration Process and following implementation of closeout methodologies set out in the GT2 Price Control Financial Handbook.
- 7.9.4 Before making a direction under paragraph 7.9.3 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
  - (b) the reasons for the proposed direction; and
  - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## Special Condition 7.11 System operator legacy MOD (SOLMOD<sub>t</sub>)

### Introduction

- 7.11.1 The purpose of this condition is to set out the process the Authority will follow when directing values for the term SOLMOD<sub>t</sub> (the system operator legacy MOD term). This contributes to the calculation of the term SOLAR<sub>t</sub> (the system operator legacy adjustments term), which in turn feeds into the SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).
- 7.11.2 The effect of this condition is to reflect the close out of the GT1 Price Control Financial Model.

### Part A: Authority Assessment and direction

- 7.11.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022 the value of SOLMOD<sub>t</sub> is derived in accordance with the following formula:

$$SOLMOD_t = SOMOD_t \times RPIF_t$$

where:

$SOMOD_t$  has the value directed by the Authority coinciding with the Annual Iteration Process, related to revisions to the GT1 Price Control Financial Model, performed in accordance with Chapter 8 (legacy) of the GT2 Price Control Financial Handbook; and

$RPIF_t$  has the value of  $RPIF_t$  derived in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

7.11.4 For the Regulatory Years commencing on 1 April 2023, 1 April 2024 and 1 April 2025, the value of  $SOLMOD_t$  is derived in accordance with the following formula:

$$SOLMOD_t = SOCOA \cdot CWACC_t \cdot \frac{PI_t}{PI_{2018/19}}$$

where:

$SOCOA$  means the System Operator closeout adjustment in 2018/19 prices, and has the value directed by the Authority in accordance with Chapter 8 (Legacy) of the GT2 Price Control Financial Handbook;

$CWACC_t$  means compound WACC and has the value derived in accordance with Part B of Special Condition 7.3 (Transportation owner legacy MOD);

$PI_t$  has the value given to it by Part F of Special Condition 2.1; and

$PI_{2018/19}$  has the value given to it by Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2018.

For Regulatory Years commencing 1 April 2024 and 1 April 2025 there are no  $LMOD_t$  values.

7.11.47.11.5 Before making a direction under paragraphs 7.11.3 and 7.11.4 the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;

(b) the reasons for the proposed direction; and

(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## **Special Condition 7.13 System operator legacy TRU term ( $SOLTRU_t$ )**

### **Introduction**

7.13.1 The purpose of this condition is to calculate the term  $SOLTRU_t$  (the system operator legacy TRU term). This contributes to the calculation of the term  $SOLAR_t$  (the system operator legacy adjustments term), which in turn feeds into the SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.13.2 The effect of this condition is to close out the RIIO-GT1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 to 1 April 2024 reflects SOTRU adjustments relating to the Regulatory Years commencing on 1 April 2017 to 1 April 2020 respectively.

**Part A: Formula for calculating the system operator legacy TRU term (SOLTRU<sub>t</sub>)**

7.13.3 For the Regulatory Years commencing on 1 April 2021 to 1 April ~~2024~~2022, the value of LTRU<sub>t</sub> is derived in accordance with the following formula:

$$SOLTRU_t = SOTRU_t \cdot RPIF_t$$

where:

*SOTRU<sub>t</sub>* is derived in accordance with Part D of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021; and

*RPIF<sub>t</sub>* has the value of RPIF<sub>t</sub> as determined in accordance with Part D of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021.

7.13.4 For the Regulatory Years commencing on 1 April 2023 to 1 April 2024, the value of SOLTRU<sub>t</sub> is derived in accordance with the following formula:

$$SOLTRU_t = \left[ \frac{RPIA_{t-2} - RPIF_{t-2}}{RPIA_{t-2}} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot SOREV_{t-2} \cdot \frac{PI_t}{PI_{2009/10}}$$

where:

*RPIA<sub>t</sub>* has the value given to it by Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021;

*RPIF<sub>t</sub>* has the value of RPIF<sub>t</sub> as determined in accordance with Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021.

*SOREV<sub>t-2</sub>* has the value of SOREV<sub>t-2</sub> as determined in accordance with Part D of Special Condition 3A (NTS System Operation – Revenue Restriction) of this licence as in force on 31 March 2021. For this calculation the component PU (opening base demand revenue allowance) is zero.

*LPVF<sub>t</sub>* has the value derived in accordance with paragraph 7.13.5.

*PI<sub>t</sub>* has the value given to it by Part F of Special Condition 2.1; and

*PI<sub>2009/10</sub>* has the value given to it by Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2009.

7.13.5 The value of LPVF<sub>t</sub> is derived in accordance with the following formula:

$$LPVF_t = 1 + WACC_t$$

where:

WACC<sub>t</sub> means vanilla weighted average cost of capital, derived in accordance with the GT2 Price Control Financial Handbook.

~~7.13.4~~7.13.6 The value of SOLTRU<sub>t</sub> for Regulatory Years commencing on or after 1 April 2025 is zero.

## **Special Condition 7.17 System operator legacy net RAV additions (SOLRAV<sub>t</sub>)**

### **Introduction**

- 7.17.1 This condition explains the process the Authority will follow when directing values for the term SOLRAV<sub>t</sub> (the SO legacy RIIO-1 net RAV additions term). This contributes to the calculation of the term SODPN<sub>t</sub> (the SO depreciation term as calculated by the GT2 Price Control Financial Model), which in turn feeds into the SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).
- 7.17.2 The effect is to reflect the close out of the RIIO-GT1 Price Control Financial Model in respect of SO legacy net RAV additions.

### **Part A: Authority assessment and direction**

- 7.17.3 The Authority will direct revisions to SOLRAV<sub>t</sub>, coinciding with the Annual Iteration Process and following implementation of closeout methodologies set out in the GT2 Price Control Financial Handbook.
- 7.17.4 Before making a direction under paragraph 7.17.3 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
  - (b) the reasons for the proposed direction; and
  - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.