

Schedule 1- Proposed Licence Modifications

Special Condition 4.2 Balancing Services Activity Revenue Restriction on External Costs

Introduction

4.2.1 The purpose of this condition is:

- (a) to establish the charging restrictions that determine the level of allowed revenue that may be recovered by the licensee, associated with its external balancing costs; and
- (b) to set out the obligations of the licensee in respect of those charging restrictions.

Part A: Balancing services activity revenue restriction on external costs ($BXext_t$)

4.2.2 The licensee must use best endeavours to ensure that the revenue derived from and associated with procuring and using balancing services (being the external costs of the Balancing Services Activity) does not exceed the $BXext_t$ term, calculated in accordance with the following formula:

$$BXext_t = CSOBM_t + BSCC_t + TotAdj_t - OM_t + SOTOC_t + LOCTRU_t + BSUoSCOVID_t + BSUoSEXct + BSUoSFXCt$$

where:

$CSOBM_t$ is the cost to the licensee of bids and offers in the Balancing Mechanism accepted by the licensee less the total non-delivery charge and is the sum of the values of $CSOBM_j$ (being the System Operator BM cashflow for each settlement period j as defined in the BSC);

$BSCC_t$ means the costs to the licensee of contracts for the availability or use of Balancing Services and associated costs, excluding costs within $CSOBM_t$ but including charges made by the licensee for the provision of Balancing Services to itself;

$TotAdj_t$ means the amount of any adjustment as provided in paragraph 4.2.3;

OM_t means an amount representing the revenue from the provision of balancing services to others, derived in accordance with Part C;

$SOTOC_t$ means the SO-TO cost allowance term, calculated in accordance with Special Condition 4.4 (SO-TO Mechanism);

$LOCTRU_t$ has the value of:

$OCTRU_t$ as determined in accordance with Part A of Special Condition 4J (SO-TO Mechanism) of this licence as in force on 31 March 2021; and

LOCTRU_t for Regulatory Years commencing on or after 1 April 2023 is zero; and

BSUoSCOVId_t means for Regulatory Year 2021/22 the total cost of the Covid Support Scheme incurred in 2020/21, including any administrative or financing cost borne by the system operator, as per Section 1.30 of CUSC and for other Regulatory Years thereafter the value of this term will be zero.

BSUoSEXc_t means for Regulatory Year 2022/23 the total cost of the Exceptional Costs Support Scheme incurred in 2021/22, including any administrative or financing cost borne by the system operator, as per Section 14.30 of CUSC and for other Regulatory Years thereafter the value of this term will be zero.

BSUoSFXc_t BSUoSFXc_t means for Regulatory Year 2023/24 the total cost of the scheme to cap BSUoS costs and defer payment to 2023/24 to protect GB customers incurred in 2022/23, including any administrative or financing cost borne by the system operator, as per Section 14.30 (Calculation of the Daily Balancing Services Use of System Charges) of CUSC, and for other Regulatory Years thereafter the value of this term will be zero.

Part B: Balancing Services Activity adjustments (TotAdj_t)

4.2.3 For the purposes of paragraph 4.2.2, the term TotAdj_t which relates to prior period adjustments in respect of the Regulatory Year *t*, means the costs, whether positive or negative, to the licensee of:

- (a) bids and offers in the Balancing Mechanism accepted by the licensee in any period before Regulatory Year *t* less the total non-delivery charge for that period;
- (b) contracts for the availability or use of balancing services during any period before Regulatory Year *t*, excluding costs within CSOBM_t for that period, but including charges made by the licensee for the provision of balancing services to itself in that period;
- (c) the difference between the value of IncPayExt_t in respect of 2020/21 (directed by the Authority in accordance with paragraph 4M.19 of Special Condition 4M (Electricity System Operator Reporting and Incentive Arrangements) of this licence as in force on the 31 March 2021) and the amount the licensee has recovered in 2020/21 based on its reasonable expectations of revenue associated with IncPayExt_t in respect of 2020/21, with the prior written consent of the Authority for Regulatory Year 2021/22 only; and
- (d) the difference in value of financing costs, as a result of updating the forecast SONIA rate used to calculate the recovery of 2022/23 BSUoSEXc_t to actual SONIA rates as agreed by the Authority for Regulatory Year 2023/24 only,

in each case after deducting such costs to the extent that they have been taken into account in any Regulatory Year in computing the terms CSOBM_t or BSCC_t.

Part C: Provision of balancing services to others (OM_t)

4.2.4 The value of OM_t is the net of:

- (a) the total amount (exclusive of interest and Value Added Tax attributable thereto) recovered by the licensee under any agreements entered into between an electricity supplier or network operator and the licensee pursuant to which the costs of operation or non-operation of generation sets which are required to support the stability of a User System are charged to that electricity supplier or network operator; and
- (b) the total costs (exclusive of interest and Value Added Tax attributable thereto) incurred by the licensee which arise by reason of the operation or non-operation of generation sets and which result directly or indirectly from works associated with the National Electricity Transmission System or works thereon being carried out, rescheduled or cancelled by reason of any agreement with, or request of, any third party other than an electricity supplier (as defined in paragraph 4.2.4(a)) or network operator (as defined in the Grid Code).