

National Grid IFA2 Limited (NGIFA2) ICF_t Methodology

ICF_t term for default revenue assessment periods

For default revenue assessment periods (five-year periods), the value of the 'ICF_t' term shall be calculated in accordance with the following formula:

$$ICF_t = ((1 + ODR)^x) \times ICF_{ap} \quad \text{Equation 1}$$

The other terms used in the formulae above have the following meaning:

Table 1: Terms used in the calculation of ICF_t

Term	Description
ICF _{ap}	is the 'Interconnector Cap and Floor Revenue Adjustment term for the Assessment Period' calculated in accordance with Special Condition 10
mmp	is the date representing the median ¹ of the measurement period mp
mp	is the measurement period, i.e. the final period (normally the final year) of the relevant revenue assessment period over which ICF _{ap} is calculated
msp	is the date representing the median of the settlement period sp ²
ODR	means the NGIFA2 Operational Discount Rate term and is equal to 3.95%
sp	is the settlement period, i.e. the period in which payments are made to or from the GB system operator (normally a CUSC year, commencing 1 st April)
x	is the time gap, expressed in years, between the two dates msp and mmp, calculated in accordance with the following formula: $= \frac{msp - mmp}{365.25}$ with the result rounded to 2 decimal places

Once all actual values including the dates of the settlement period are fully available (after the end of the settlement period), the calculation is updated by replacing any forecast values that were previously used with the actual values, which are now available. Should there be any difference between final and provisional ICF_t values this difference is uplifted to reflect the time lag, expressed in years, between the year of the reconciliation payment and the year of the settlement period. The reconciliation payment shall be calculated in accordance with the following formula:

$$Reconciliation = ((1 + ODR)^y) \times (Final ICF_t - Provisional ICF_t) \quad \text{Equation 2}$$

The other terms used in the formulae above have the following meaning:

¹ As calculated using the MS Excel formula = MEDIAN("period start date": "period end date").

² As calculated using the MS Excel formula = MEDIAN("period start date": "period end date").

Table 2: Terms used in the calculation of the reconciliation payment

Term	Definition
Final ICF _t	is the updated and final payment value calculated using only actual values
mrp	is the date representing the median of the reconciliation period (rp) ³
Provisional ICF _t	is the provisional payment value
rp	is the reconciliation period, i.e. the period in which payments are made to or from the GB system operator (normally a CUSC year, commencing 1 st April) or the period in which payments are made to any other body as directed by the Authority
y	is the time gap, expressed in years, between the two dates mrp and msp, calculated in accordance with the following formula: $= \frac{mrp - msp}{365.25}$ with the result rounded to 2 decimal places
m _{sp} , ODR, sp	are the terms described in Table 1.

The reconciliation payment is paid to or from the GB System Operator in the earliest available settlement (CUSC) year. No further reconciliations are performed after this reconciliation payment.

ICF_t term for partial revenue assessment periods

For partial revenue assessment periods (i.e. where a revenue assessment is performed before the final year of the default assessment period), the value of the 'ICF_t' term shall be calculated using the same formulae, inputs and calculations described above for the default assessment period, with the only difference being that the ICF_{ap} term is replaced by the ICF_{pap} term, the 'Interconnector Cap and Floor Revenue Adjustment term for the Partial Assessment Period'.

Review and updating of this methodology

This methodology will be maintained by NGIFA2, in accordance with its interconnector licence. NGIFA2 will make such modifications to the methodology as may be requisite for the purpose of ensuring that the methodology better achieves the requirements set in its interconnector licence. Any such modifications must be approved by the Authority.

³ As calculated using the MS Excel formula =MEDIAN("period start date": "period end date").