

Schedule 4B – Reasons and effects of proposed modifications to the special conditions of the electricity interconnector licence held by National Grid North Sea Link Limited (NGNSL)

Special Condition 1: Definitions and Interpretation

The reason for modifying this condition is to:

- (a) insert a new definition for 'CHAW';
- (b) update the definition for "Floor Start Date" to reflect the date specified in a direction issued by the Authority to the licensee in accordance with paragraph 11(b) of Special Condition 2: Cap Level and Floor Level;
- (c) insert a new definition for 'NSL Cap and Floor Financial Model 1 (NSLCFFM1)';
- (d) insert a new definition for 'NSL Cap and Floor Financial Model 2 (NSLCFFM2)'; and
- (e) Delete redundant text from the definition of 'Regime Start Date'

The effect of these modifications is to insert newly defined terms introduced by our proposed amendments to Special Condition 11, and those referenced in the licence but not previously defined and to update existing defined terms.

Special Condition 1: Definitions and Interpretation

The reason and effect of modifying this special condition is to:

- insert new definitions for 'CHAW', 'NSLCFFM1' and 'NSLCFFM2'; and
- update the existing definitions for "Floor Start Date" and 'Regime Start Date'.

Special Condition 2: Cap Level and Floor Level

The reason and effect of modifying this special condition is to update the Retail Price Index term (RPI_t) formula to reflect the correct price base.

Special Condition 7: Non-Controllable Costs

The reason for modifying this special condition is to add a reference to the new defined term 'NSLCFFM2' 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 NSL Cap and Floor Financial Model 2 (NSLCFFM2).

The effect of this modification is to update the condition so that it correctly refers to the new defined term, 'NSLCFFM2' and ensure that proposed adjustments that are submitted in any notice under paragraph 30 of that condition, are in accordance with the NSL Cap and Floor Financial Model 2 (NSLCFFM2).

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

The reason for modifying this special condition is to amend references to the now redundant defined term 'NSL Cap and Floor Financial Model' and replace it with the new defined term of NSL Cap and Floor Financial Model 1 ('NSLCFFM1').

The effect of these modifications is to ensure that the licence condition correctly refers to the newly defined term of 'NSLCFFM1'.

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 'NSLCFFM2'.

The effect of these modifications is to ensure that the licence condition correctly refers to the new defined term 'NSLCFFM2'.

Special Condition 11: North Sea Link Cap and Floor Financial Model Governance

The reason for modifying this special condition is to:

- update the condition title to align it with the naming convention of the NSLCFFMs; and

- provide details on the NSLCFFMs; NSLCFFM1 and NSLCFFM2. This is to reflect financial model governance arrangements for NGNSL. The defined term 'NSL Cap And Floor Financial Model (NSLCFFM)' has been deleted, as it is now redundant.

The effect of this modification is to ensure that the condition title reflects the naming convention of the NSLCFFMs and that the licence reflects financial model governance arrangements for NGNSL.