

National Gas Transmission plc

Gas Transporter Licence

Special Conditions

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Chapter 1: Interpretation and definitions

Special Condition 1.1 Interpretation and definitions

Introduction

- 1.1.1 The purpose of this condition is to provide for the special conditions of this licence:
- (a) some provisions of general interpretation; and
 - (b) the meaning of the defined terms, which are capitalised throughout the special conditions.

Part A: Interpretation

- 1.1.2 Wherever the subscript 't' is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.
- 1.1.3 A positive or negative numerical notation indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before.
- 1.1.4 In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are explained in those special conditions.
- 1.1.5 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee will be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid.
- 1.1.6 Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:
- (a) giving it to such extent, for such period of time, and subject to such conditions as the Authority thinks reasonable in all the circumstances of the case; and
 - (b) revoking or amending it after consulting with the licensee.
- 1.1.7 Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.
- 1.1.8 Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.

- 1.1.9 Any reference in these special conditions to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.
- 1.1.10 Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, as well as by action taken on or after, 1 April ~~2021~~2026.
- 1.1.11 Any monetary values in these special conditions are in sterling in a ~~2018/19~~2023/24 price base unless otherwise indicated.
- 1.1.12 The price base for each PCFM Variable Value is denoted in the ~~GT2~~GT3 Price Control Financial Model "Input" sheet, NGT_TO~~Input~~ and NGT_SO sheets. Where a PCFM Variable Value is listed as a "£m nominal" value, the ~~GT2~~GT3 Price Control Financial Model will convert these values in accordance with Part ~~FD~~ of Special Condition 2.1 (Transportation owner revenue restriction), so that the component terms of Calculated Revenue and SO Calculated Revenue are in a ~~2018/19~~2023/24 price base.

Part B: Definitions

- 1.1.13 In these special conditions the following defined terms have the meanings given in the table below.
- 1.1.14 Where these special conditions state that the outputs, delivery dates ~~and/or~~ allowances for a Price Control Deliverable are located in another document, the following defined terms also have the meanings given in the table below in that document.
- 1.1.15 Where the table below states that a defined term has the meaning given to it by:
- (a) another condition of this licence;
 - (b) the ~~GT2~~GT3 Price Control Financial Instruments;
 - (c) the RIGs;
 - (d) an Associated Document;
 - (e) the Uniform Network Code; or
 - (f) the Network Code
- 1.1.16 the defined term is to have the meaning given in that provision or document as amended from time to time.

the Act	means the Gas Act 1986.
Actual NTS Throughput	means the total offtake of gas from the NTS on each day (in mcm) including gas offtakes by DN Operators, Storage Facilities, <u>and</u> interconnectors and Very Large Daily Metered

	Consumers connected to the NTS, plus the physical elements of NTS Shrinkage.
<u>Actual Corporation Tax Liability</u>	<u>Means the combined total of the TO Actual Corporation Tax Liability and the SO Actual Corporation Tax Liability.</u>
<u>Actual Totex</u>	is derived in accordance with <u>the RIGs Chapter 3 of the GT3 Price Control Financial Handbook.</u>
Adjustment Neutrality Amount	has the meaning given to that term in the Uniform Network Code.
Advice Notice Day	means any Maintenance Plan Day in relation to which the licensee has formally notified the customer of a Maintenance activity to be carried out in alignment with that customer's Maintenance Programme as agreed following bilateral discussions between the customer and the licensee.
Affiliate	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Aggregate Overrun	has the meaning given to that <u>the term Aggregate Flat Overrun</u> in the Uniform Network Code.
Allocation	means any process by which Entry Capacity or Exit Capacity may be allotted by or on behalf of the licensee in accordance with the Network Code.
Allowed Revenue	is the amount the licensee should aim to recover through its NTS Transportation Owner Charges, derived in accordance with the formula in Part C of Special Condition 2.1 (Transportation owner revenue restriction).
<u>Annual Environmental Report</u> <u>Allowed Revenue Adjustment</u>	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.1 (Annual Environmental Report). <u>Allowed Revenue Adjustment means the adjustment to the Allowed Revenue and the SO Allowed Revenue over all impacted years.</u>

Annual Iteration Process

means in relation to the GT2 Price Control Financial Model, the process set out in Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model), which is to be read and given effect subject to any further applicable explanation or elaboration within the GT2 Price Control Financial Handbook, has the meaning given to that term in the annex "PCFM Guidance" to the RIGs.

Appropriate Auditors

has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).

Appropriately Qualified Independent Examiner

means a chartered accountant, chartered tax adviser, or equivalent, from a specialist corporation tax function of a top-tier firm regulated by a relevant professional body, who may be an employee of the licensee's Appropriate Auditors.

Appropriate Auditor

has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).

Appropriately Qualified Independent Examiner

means a qualified tax accountant from a firm regulated by a relevant professional body, who may be an employee of the licensee's Appropriate Auditors.

Asset Data

means the data on the condition, location, operating environment, function, duty, and other relevant characteristics of NARM Assets, which is necessary for the calculation of Monetised Risk.

Asset Health Non-Lead Assets Baseline Allowances Table

means the table of that name in the document identified in Appendix 1 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable) by its title and publication date.

Asset Health Non-Lead Assets PCD Tables

means the tables of that name in the document identified in Appendix 2 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable) by its title and publication date.

Asset Intervention	means a deliberate action, on the part of the licensee, that improves or maintains the Monetised Risk of an asset or group of assets.
Asset Management Systems	means the set of interrelated and interacting elements, including those IT systems used for the collecting, storing and interrogating of Asset Data, that the licensee has in place to establish its asset management policy and asset management objectives and the processes needed to achieve those objectives.
Asset Risk	means the estimated average expected impact of a Network Asset with given characteristics (such as those referred to in the definition of Asset Data) failing over a given time period, so that when scaled up to a sufficiently large population of identical Network Assets, the sum of the individual Asset Risks will equate to the total expected impact of asset failure for the population over the same time period.
Associated Document	means a document issued and amended by the Authority by direction in accordance with the special conditions of this licence and any reference to an Associated Document is to that document as amended from time to time unless otherwise specified.
the Authority	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Authority's Website	means www.ofgem.gov.uk
Bad Debt	means the expense incurred by the licensee when NTS Transportation Owner Charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded, and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.
Balancing Neutrality Charges	has the meaning given to that term in the Uniform Network Code.
Baseline Allowed NARM Expenditure	means the allowed expenditure associated with the Baseline Network Risk Outputs as set

	out in Appendix 1 to Special Condition 3.1 (Baseline Network Risk Output).
Baseline Network Risk Output	means the cumulative total of Network Risk Outputs for all items allocated to 'NARM Funding Category A1' for a given Risk Sub-Category <u>Risk Sub-Category</u> in the licensee's Network Asset Risk Workbook.
Basic Net Neutrality Amount	has the meaning given to that term in the Uniform Network Code.
Basic PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Between	in the context of something being done, or occurring, between two dates, means on or after the first date and on or before the second date.
<u>Biomethane</u>	<u>means a gas as defined in the technical standard IGEN/TD/16.</u>
Biodiversity Net Gain <u>Biomethane Connection</u>	means measurable net improvement to biodiversity for a defined area of land compared to the biodiversity before intervention by the licensee. <u>means the connection of a Biomethane plant onto the NTS to inject Biomethane.</u>
<u>Biomethane UIOLI Governance Document</u>	<u>means the document of that name issued by the Authority in accordance with Special Condition 3.15 (Biomethane use it or lose it allowance (BIOC_t)).</u>
Bulk Price Differential	means the volume of LPG conveyed to consumers who are connected to each relevant Independent System in the relevant Regulatory Year, multiplied by the difference between: <ul style="list-style-type: none"> (a) the reasonable estimate (made by the licensee) of the actual delivered price of LPG supplied to consumers connected to the relevant Independent System; and (b) the average price of gas consisting principally of methane supplied to large industrial customers in Great Britain.

Business Plan	means a plan of the sort that the licensee was invited to submit by paragraph 2.25 <u>3.6</u> of the document titled “ <u>RIIO-23 Sector Specific Methodology –Core document</u> ”, <u>Decision Overview document</u> ’, published by the Authority on 24 May 2019 <u>18 July 2024</u> .
<u>CAF Outcomes</u>	<u>means the outcomes set out under the cyber security and resilience principles set out in the document titled “CAF NIS Supplementary Guidance”, version 3.0, and CAF Overlay for DGE Sector”, published by the National Cyber Security Centre Authority on 30 September 2019</u> <u>1 August 2023 as amended from time to time.</u>
Calculated Revenue	has the value given to R <u>derived in accordance with Part ED of Special Condition 2.1 (Transportation owner Revenue Restriction).</u>
<u>Calculated Tax Allowance</u> CAM Activity	means an output, activity or deliverable that the licensee is applying to reallocate under Special Condition 3.8 (Coordinated adjustment mechanism Re-opener). <u>means the combined total of the TO Calculated Tax Allowance and the SO Calculated Tax Allowance</u>
<u>CAM Activity</u> Capacity Auctions	means auctions operated by an output, activity or deliverable that the licensee at which users can secure capacity is applying to access the NTS. <u>reallocate under Special Condition 3.78 (Coordinated adjustment mechanism Re-opener).</u>
Carry-over Network Innovation Allowance	means the allowance provided by Special Condition 5.3 (Carry-over Network Innovation Allowance) to extend the RIIO- 12 <u>23</u> Network Innovation Allowance for an additional Regulatory Year, <u>and the first half of the following Regulatory Year.</u>
CDSP Costs	means costs incurred or expected to be incurred by the licensee for the purposes of meeting its obligations under Standard Special Condition A15 (Central Data Services Provider).

<u>Clean Power 2030 Action Plan</u>	<u>means the plan published by the government in December 2024 setting out a pathway to a clean power system by 2030.</u>
<u>Company Tax Return</u>	<u>means the financial information that the licensee is required to file with His Majesty's Revenue and Customs each year for the purposes of calculating its Actual Corporation Tax liability</u>
<u>Competition and Markets Authority</u>	<u>means the competition authority established under section 25 of the Enterprise and Regulatory Reform Act 2013.</u>
Compressor	means gas and electrically powered gas compression equipment forming part of the pipeline system to which this licence relates that is used by the licensee to increase the pressure of gas in that part of that pipeline system.
Compressor Cab	means the enclosures, air circulation, exhaust and fire suppression systems necessary for the protection and safe functioning of the compressor fleet.
<u>Compressor Cab Breakdown</u>	<u>means an unforeseen and significant failure, of a Compressor drive train, including the drive and Compressor, or any urgent preventive maintenance, of the Compressor drive train required to avoid such failure.</u>
<u>Compressor Fuel Use (CFU)</u>	<u>Mmeans the energy (GWh) required to run the Compressors used to pushmove gas at high pressure around the NTS.</u>
Constrained Storage Facilities	has the meaning given to that term in the Network Code.
Constraint Management	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Consumer Prices Index Including Owner Occupiers' Housing Costs	means the monthly values of the "CPIH All Items", series ID "L522", published by the

Office for National Statistics (or any other public body acquiring its functions).

Consumer Outcome

means:

- (a) the expected benefits to existing and future consumers in terms of maintenance of existing levels of, or improvements in, the NTS's capability or resilience; or
- (b) the expected benefits to consumers in terms of service quality over what would have been the whole life of the output specified in the relevant special condition had it been delivered as specified. In the context of works delivered by the licensee, this means the benefits to customers or consumers in terms of maintenance of existing levels of, or improvements in the NTS's capability or resilience, or benefits to consumers in terms of service quality, that can be attributed to, and reasonably expected from, the works delivered by the licensee over the whole life of the works delivered.

Cost And Output Adjusting Event

means:

- (a) an Extreme Weather Event;
- (b) the imposition of additional terms or conditions by any statutory consent, approval or permission (including but not limited to planning consent);
- (c) unforeseen ground or sea-bed conditions; and
- (d) for the purposes of a particular output, any event that the Authority directs is a Cost And Output Adjusting Event in the FIOC Project Direction issued under Part DC of Special Condition 3.13.11 (Funded incremental obligated capacity Price Control Deliverable and Re-opener).

Cost-Benefit Analysis

means any analysis that considers, as appropriate, both the tangible costs (for example, the cost of replacement) and intangible costs (for example, costs associated with injury or loss of life) associated with, and

	benefits delivered by, an investment option or range of options.
COVID-19 Defaulting Gas Shipper	means a Gas Shipper who participated in the COVID-19 Scheme and whose insolvency has resulted in the licensee incurring Bad Debt or SO Bad Debt. The timing and meaning of insolvency is as per the Insolvency Act 1986.
COVID-19 Scheme	means the COVID-19 Liquidity Relief Scheme for Shippers as established by the Uniform Network Code (UNC) modification 726: "COVID-19 Liquidity relief scheme for Shippers".
COVID-19 System Operator Bad Debt	means SO Bad Debt owed to the licensee by one or more COVID-19 Defaulting Gas Shippers.
COVID-19 Transportation Owner Bad Debt	means Bad Debt owed to the licensee by one or more COVID-19 Defaulting Gas Shippers.
Critical National Infrastructure	means those critical elements of infrastructure (namely assets, facilities, systems, networks or processes and the essential workers that operate and facilitate them), the loss or compromise of which could result in: <ul style="list-style-type: none"> (a) major detrimental impact on the availability, integrity or delivery of essential services – including those services whose integrity, if compromised, could result in significant loss of life or casualties – taking into account significant economic or social impacts; or (b) significant impact on national security, national defence, or the functioning of the state.
Current Monetised Risk	means the Monetised Risk of an existing asset or group of assets, based on the most recently gathered or derived Asset Data.
Customer Impacting Work	means Maintenance Plan Days that would impact Maintenance Relevant Parties during the Regulatory Year, whether aligned to customers' maintenance plans or not.
<u>Customer Re-charge Agreement</u>	<u>means the services offered by the licensee which enable Maintenance Relevant Parties to pay the incremental costs of the licensee</u>

	<u>working flexibly outside normal working practices where possible in respect of Maintenance.</u>
CVS	is calorific value shrinkage and has the meaning given to that term in the Uniform Network Code.
CVS Statement	<u>means a statement produced by the licensee under Part J of Special Condition 5.6 (System operator external incentives, revenues and costs).</u>
<u>Cyber Resilience Plan</u>	<u>means a plan of the sort that the licensee was invited to submit a Cyber Resilience Business Plan at Chapter 3 of the document titled "RIIO-3 - NIS-R Cyber Resilience Business Plan Assessment Methodology and Requirement", published by the Authority on 30 September 2024.</u>
Cyber Resilience IT Baseline Allowances Table	means the table of that name in the document identified in Appendix 1, to Special Condition 3.32 (Cyber Resilience information technology Re-opener and Price Control Deliverable Allowances Table) by its title and publication date.
<u>Cyber Resilience PCD Table</u>	<u>means the table of that name in the document identified in Appendix 2 to Special Condition 3.2 (Cyber Resilience PCD table) by its title and publication date.</u>
<u>Cyber Resilience IT PCD Re-opener Allowances Table</u>	<u>means the table of that name in the document identified in Appendix 23 to Special Condition 3.32 (Cyber Resilience information technology Re-opener and Price Control Deliverable Allowances Table) by its title and publication date.</u>
<u>Cyber Resilience UIOLI Allowances Table</u>	<u>means the table of that name in the document identified in Appendix 4 to Special Condition 3.2 (Cyber Resilience Use It Or Lose It Allowances Table) by its title and publication date.</u>
<u>Data Best Practice Guidance</u>	<u>means the guidance document issued by the Authority in accordance with Part D of Special Condition 9.56 (Digitalisation).</u>
<u>Data Sharing Infrastructure (DSI)</u>	<u>means a digital infrastructure that comprises of the technologies and common data</u>

standards to facilitate seamless and secure data sharing between multiple entities.

Cyber Resilience IT Plan

means a plan of the sort that the licensee was invited to submit at bullet point 1 of paragraph 6.99 of the document titled “RIIO-2 Sector Specific Methodology – Core document”, published by the Authority on 24 May 2019.

Cyber Resilience OT Baseline Allowances Table

means the table of that name in the document identified in Appendix 1 to Special Condition 3.2 (Cyber Resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.

Cyber Resilience OT PCD Table

means the table of that name in the document identified in Appendix 2 to Special Condition 3.2 (Cyber Resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.

Cyber Resilience OT Plan

means a plan of the sort that the licensee was invited to submit at bullet point 2 of paragraph 6.99 of the document titled “RIIO-2 Sector Specific Methodology – Core document”, published by the Authority on 24 May 2019.

Daily Metered Supply Meter Points

means a supply meter point which is read on a daily basis in accordance with paragraph 1.3.1 of section M (Supply Point Metering) or paragraphs 1.5.1(b) or 1.5.3 of section G (Supply Points) of the Network Code having effect on 1 April 2002.

Data Best Practice Guidance

means the guidance document issued by the Authority in accordance with Part D of Special Condition 9.5 (Digitalisation).

Day

has the meaning given to that term in the Uniform Network Code.

Day-To-Day Customer Activities Element

means the element of the customer satisfaction survey that measures customer satisfaction in relation to day-to-day customer activities services carried out by the licensee, such services to include control room operations, regular engagement between operational teams from the licensee and direct connect and shipper customers, and

	<u>maintenance services carried out by the licensee.</u>
Delayed	means where the licensee has not delivered the output set out in the relevant special condition in full by the relevant delivery date, but intends to deliver the output in full or in part at a later date.
De Minimis Business	has the meaning given to that term in Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing).
<u>Decarbonisation Project Development Use It Or Lose It</u>	<u>means a use it or lose it allowance provided by Special Condition 3.5 (Decarbonisation Project Development use it or lose it allowance).</u>
<u>Decarbonisation Project Development UIOLI Governance Document</u>	<u>means the document of that name issued by the Authority in accordance with Part B of Special Condition 3.5 (Decarbonisation Project Development use it or lose it allowance).</u>
Decommission	means to Disconnect one or more assets or sites from all supplies of energy, removing all process fluids and de-pressurising. When a full site is in scope, all assets are removed from the site and the site is returned to its original or enhanced environmental state. For below ground assets on operational sites, decommission means to Disconnect assets from all supplies of energy and secure with a suitable fill material e.g. nitrogen.
Defaulting Gas Shippers	means a Gas Shipper, which has failed to make payments to the licensee in accordance with the Uniform Network Code.
Demand Side Response	means the voluntary reduction of gas demand by either a party to the Uniform Network Code in respect of a DMC Supply Point Component or DMA Supply Point Component , or directly by a gas consumer, as agreed with National Gas Transmission and in accordance with the Uniform Network Code.
Demand Side Response Methodology	means a methodology maintained pursuant to and in accordance with the principles set out in part A of Special Condition 9.2221

	(Implementing and maintaining the Demand Side Response Methodology).
Demand Side Response Offer	means an offer to provide Demand Side Response. This can take the form of an offer via the DSR Option Invitation or an offer made on the On-The-Day Commodity Market.
Digitalisation	means using Energy System Data and digital technology to generate benefits for consumers and stakeholders.
Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of Special Condition 9.5 <u>56</u> (Digitalisation).
Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.5 <u>56</u> (Digitalisation).
<u>Digitalisation Re-opener</u>	<u>means the Re-opener established by Part B and Part C of Special Condition 3.6 (Digitalisation Re-opener).</u>
<u>Directly Attributable Costs</u>	<u>means costs relating to the maintenance and management of intellectual property, generated through Eligible NIC Projects (whether undertaken by the licensee or any other Gas Transporter Licensees) that have not been otherwise funded through NTS Transportation Owner Charges or NTS System Operation Charges or as services under Special Condition 11C (Services treated as Excluded Services) of this licence as in force on 31 March 2021 or the NIC Funding Mechanism.</u>
Directly Remunerated Services	has the meaning given to that term in Part A of Special Condition 9.7 <u>78</u> (Directly Remunerated Services).
Disaggregated Network Risk Output	means a disaggregated component of the Baseline Network Risk Outputs or Outturn Network Risk Outputs into units appropriate for investment planning or delivery assessment purposes. Disaggregation may, for example, be at project, asset category, or intervention level, or combinations of these.
Disallowed Expenditure	means revenue received (whether by the licensee or any other Gas Transporter

	Licensee) under the NIC Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
Disapplication Date	means the date proposed by the licensee under a Disapplication Request on and after which the specified Relevant TO Special Conditions or Relevant SO Special Conditions (or any part or parts of them) would cease to have effect.
Disapplication Notice	means the notice under Special Condition 9.6 67 (Disapplication of Relevant Special Conditions) that terminates the application of the Relevant TO Special Conditions or Relevant SO Special Conditions (or any part or parts of them) specified in that request.
Disapplication Request	means a request under Special Condition 9.6 67 (Disapplication of Relevant Special Conditions) to consent to the disapplication of the Relevant TO Special Conditions or Relevant SO Special Conditions (in whole or in part).
Disconnect Distribution Network	has the meaning given to that term in the Act. has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
DMC Supply Point Component	has the meaning given to that term in the Uniform Network Code.
DMA Supply Point Component	has the meaning given to that term in the Uniform Network Code.
DN Operator	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Domestic Credit Meter Installation <u>DSAP Guidance</u>	means a Domestic Sized Meter and associated equipment and installations (excluding housing) within the definition of a Supply Meter Installation as Supply Meter Installation is defined by paragraph 1.2.2(a) of section M (Supply Point Metering) of the Network Code and is not a Prepayment Meter

Installation means the guidance document issued by the Authority in accordance with Part C of Special Condition 9.56 (Digitalisation).

Domestic Sized Meter

~~means designated for a maximum rate of gas flow which does not exceed 6m³/hr.~~

DSAP Guidance

~~means the guidance document issued by the Authority in accordance with Part C of Special Condition 9.5 (Digitalisation).~~

DSR Option Invitation

has the meaning given to that term in the Uniform Network Code.

Easement Reinstatement

means tree and scrub clearance work to restore and maintain the licensee's access to pipeline easements.

Efficiency

means expenditure decision making by the licensee that resulted in lower costs than could have been reasonably expected at the time of submitting the Business Plan. This does not include:

- (a) where lower costs have been achieved by delivering a lower Consumer Outcome than would have been achieved if the licensee had delivered the output as specified in the relevant special condition; or
- (b) where expenditure decisions were the result of factors beyond the reasonable control of the licensee including, but not limited to, growth in demand for the licensee's services or government policy.

Easement Reinstatement

means tree and scrub clearance work to restore and maintain the licensee's access to pipeline easements.

Electric Compressor

means electrically powered gas compression equipment forming part of the pipeline system to which this licence relates that is used by the licensee to increase the pressure of gas in part of that pipeline system.

Electricity System Operator Licence	means a licence granted or treated as granted under section 6(1)(da) of the Electricity Act 1989.
Eligible Balancing Action	has the meaning given to that term in the Uniform Network Code.
Eligible CNIA	means the amount of expenditure spent or accrued by the licensee in respect of Eligible CNIA Projects.
Eligible CNIA Internal Expenditure	means the amount of Eligible CNIA spent or accrued on the internal resources of the licensee.
Eligible CNIA Projects	means RIIIO-42 Network Innovation Allowance projects on which work commenced prior to 31 March 20242026, pursuant to the requirements of the RIIIO-42 NIA Governance Document.
Eligible NIC Project	means a project undertaken by the licensee or any other Gas Transporter Licensee that appears to the Authority to satisfy such requirements of the NIC Governance Document as are necessary to enable the project to be funded under the NIC Funding Mechanism.
Eligible SIF Project	means a project undertaken by the licensee or any other Gas Transporter Licensee or the ISOP that the Authority assess as satisfying such requirements of the SIF Governance Document as are necessary to enable the project to be funded under the SIF Funding Mechanism.
Energy System Data	means facts and statistics collected together that describe the energy system (current, historic and forecast), including: the presence and state of infrastructure, its operation, associated market agreements and their operations, policy and regulation.
<u>Entry and Exit Zones Engineering Guidance Document</u>	means such zones as are specified in the licensee's Business Plan (subject to any revisions proposed by the licensee and approved by the Authority in writing). <u>means a guidance document developed pursuant to Part F of Special Condition 9.2 (Network Asset Risk Metric methodology).</u>

Entry Capacity	means capacity in the NTS which a Relevant Shipper is treated as utilising in delivering gas to the NTS (and the total system) at an NTS Entry Point.
Entry Capacity Constraint Management	means Constraint Management actions undertaken by the licensee in respect of Entry Capacity constraints in the NTS.
Entry Capacity Substitution	is the process by which unsold Non-Incremental Obligated Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Incremental Obligated Entry Capacity at another NTS Entry Point in accordance with the obligations set out in Special Condition 9.4716 (Entry and Exit Capacity obligations and methodology statements).
Entry Capacity Trade	means the process by which sold Firm Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Firm Entry Capacity at another NTS Entry Point, in accordance with the obligations set out in Special Condition 9.4716 (Entry and Exit Capacity obligations and methodology statements).
Entry Capacity Transfer	means the process by which unsold Obligated Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Firm Entry Capacity at another NTS Entry Point where all Obligated Entry Capacity has been sold, in accordance with the obligations set out in Special Condition 9.4716 (Entry and Exit Capacity obligations and methodology statements).
Entry Close-out Date	has the meaning given to that term in the Uniform Network Code.
Environmental Action Plan	means the document of that name that the licensee submitted as part of its Business Plan.
Environmental Action Plan Commitments	means the actions and initiatives that the licensee proposed in their Environmental Action Plan to undertake over the course of the Price Control Period.

Environmental Net Gain <u>Developments</u>	<p>means achieving Biodiversity Net Gain first and going further to achieve net increases in the capacity of affected natural capital to deliver ecosystem services.<u>means a change in circumstances related to:</u></p> <p><u>new or amended legislative requirements that relate to the licensee's impact on the environment that are contained within or could have been contained within the licensee's Environmental Action Plan.</u></p>
Environmental Reporting Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.1 (Annual Environmental Report).
Environmental Value	means a measure of the level of biodiversity and the value of the ecosystem services from the natural capital assets associated with a particular land area.
Equally Challenging	means presenting equal or higher challenge to the licensee compared to the Baseline Network Risk Outputs, where challenge relates to the scope for a licensee to over-deliver by carrying out the same volume of interventions but selecting different assets for intervention from those assumed in the setting of the Baseline Network Risk Outputs, and the proportionate levels of over-delivery and under-delivery of Baseline Network Risk Outputs resulting from higher or lower level of intervention volumes.
Evaluative PCD	means a Price Control Deliverable where the relevant licence condition states that the Authority will consider making an adjustment to allowances where an output has not been Fully Delivered.
Ex-Ante Base Revenue	has the value of £729m <u>1120.4m for each Regulatory Year.</u>
Exit Capacity	means capacity in the NTS which a Relevant Shipper or DN Operator is treated as utilising in off-taking gas from the NTS at an NTS Exit Point.

Exit Capacity Constraint Management	means Constraint Management <u>actions</u> undertaken by the licensee in respect of Exit Capacity <u>constraints</u> in the NTS.
Exit Capacity Revision	means the process by which the level of Licence Baseline Exit Capacity is modified in accordance with the obligations set out in Special Condition 9.4716 (Entry and Exit Capacity obligations and methodology statements), which takes place as a result of the release of Funded Incremental Obligated Entry Capacity.
Exit Capacity Substitution	means the process by which unsold Non-Incremental Obligated Exit Capacity is moved from one or more NTS Exit Points to meet the demand for Incremental Obligated Exit Capacity at another NTS Exit Point in accordance with the obligations set out in Special Condition 9.4716 (Entry and Exit Capacity obligations and methodology statements).
Extreme Weather Event	means a weather event with worse than one in ten years probability.
Failure To Interrupt	has the meaning given to that term in the Network Code.
Final Option <u>Options</u> Selection Report	means a report for a specific site <u>or projects</u> produced by the licensee setting out the options selection process and proposed Final Preferred Option signed <u>which meetssigned off</u> <u>as meeting</u> the requirements of gas network development process stage 4.2 as set out further in the Re-opener Guidance and <u>ApplicationPCD Reporting Requirements and Methodology Document-Associated Documents</u> .
Final Preferred Option	<u>means the option selected by the licensee for a specific site or projects following updated flow forecast and CostBenefitCost-Benefit Analysis, agreed upon by both the licensee and the Authority-means:</u> <u>(a) the Proposed Final Preferred Option; or</u>

FIOC Guidance and Submissions Requirements Document

(b) such other option in the Final Option Selection Report approved by the Authority.

means the document of that name issued by the Authority in accordance with Part G of Special Condition 3.13.11 (Funded incremental obligated capacity ~~Re-Opener and Price Control Deliverable and Re-opener~~).

FIOC Project Direction

means a direction by the Authority, following a submission from the licensee in accordance with Special Condition 3.13.11 (Funded incremental obligated capacity ~~Re-Opener and Price Control Deliverable and Re-opener~~) justifying its costs for releasing Funded Incremental Obligated Entry Capacity or Funded Incremental Obligated Exit Capacity, and specifying an output, delivery date and allowance.

FIOC Strategic Option

means the option selected by the licensee for a specific site or projects following updated flow forecast and Cost-Benefit Analysis, agreed upon by both the licensee and the Authority under Special Condition 3.11 (Funded incremental obligated capacity Price Control Deliverable and Re-opener).

Firm Entry Capacity

~~has the meaning given is~~ Entry Capacity which (without prejudice to that term in Section I3.7 of the Uniform Network Code) is not subject to curtailment.

Firm Exit Capacity

~~has the meaning given is~~ Exit Capacity which is not subject to that term Interruption, as defined in Section TPD 8 of the Uniform Network Code.

Forecast Monetised Risk

means the Monetised Risk of an asset or group of assets expected to be in operation on a network in a given future scenario, based on the forecast view of Asset Data for the given scenario.

Forecast Total System Demand

has the meaning given to that term in the Uniform Network Code.

Front End Engineering Design

means a ~~fully detailed~~ project development phase that consolidates conceptual and

preliminary designs into a well-defined engineering design for the site in question package, including the layout and installation plan, cost estimates, risk assessments and a tendered quote, which meets work schedule, such that the requirements to pass gas network development process stage 4.3 sign-off are met, as set out further in the Re-opener Guidance and Application Requirements Document.

Fugitive Emissions

are emissions to the atmosphere caused by loss of tightness of an item which is designed to be tight, as defined within BS EN 15446: The Standard for Fugitive and diffuse emissions of common concern to industry sectors – Measurement of fugitive emission of vapours generating from equipment and piping leaks.

Full PCD Report

has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.

Fully Delivered

means where the output specified in the relevant licence condition has been delivered into the full specification in full on or before the delivery date specified in that licence condition.

Fully Delivered With An Alternative Specification

means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving a Consumer Outcome that is materially equivalent or better than what would have been achieved if the licensee had delivered the output as set out in the relevant special condition.

Funded Incremental Obligated Entry Capacity

is Incremental Obligated Entry Capacity, the release of which has been funded under Special Condition 3.1311 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable and Re-opener).

Funded Incremental Obligated Exit Capacity

is Incremental Obligated Exit Capacity, the release of which has been funded under

Special Condition 3.1311 (Funded incremental obligated capacity ~~Re-Opener and Price Control Deliverable and Re-opener~~).

Funding Return	is the total amount, in respect of the licensee, of any amounts arising under the Funding Return Mechanism.
Funding Return Mechanism	means the mechanism that provides for the recovery from the licensee and from other Gas Transporter Licensees, in each case to such extent (if any) as may be relevant, of: (c) Halted Project Revenues; (d) Disallowed Expenditure; (e) Returned Royalty Income; and (f) Returned Project Revenues.
Gas Balancing Notification	has the meaning given to that term in the Uniform Network Code.
Gas Deficit Emergency	has the meaning given to that term in the Uniform Network Code.
Gas Network Capability Needs Report	means the report prepared by the ISOP in accordance with Part B of condition C8 (Gas strategic network planning) of the Gas System Planner Licence.
Gas Options Advice Document	means the document of that name prepared by the ISOP under Part C of condition C8 (Gas strategic network planning) of the Gas System Planner Licence.
<u>Gas Reference Market Price</u>	<u>means the volume-weighted average price (p/thermkWh) published by the Price Reporting Agency for Day d of the Regulatory Year, for product p that the licensee buys or sells to procure NTS Shrinkage Gas. If a volume-weighted average price (p/thermkWh) is not published by the Price Reporting Agency, Gas Reference Market Price means the end-of-day assessment price (p/thermkWh) published by the Price Reporting Agency for that product for Day d of the Regulatory Year.</u>
Gas Shipper	has the meaning given to that term in section 7A(11) of the Act.
<u>Gas System Planner Licence</u> <u>Strategic Planning</u>	means a licence granted or treated as granted <u>long-term planning undertaken by (i)</u>

	<u>the ISOP under section 7AA of the its Gas Act 1986.</u> <u>System Planner Licence; and (ii) the government.</u>
<u>Gas System Planner Licence</u>	<u>has the meaning given to it in Standard Special Condition A3.</u>
Gas Transporter Licensee	means the holder of a licence granted or treated as granted under section 7 of the Act.
Gas Volumes Methodology <u>Year</u>	means a methodology provided under part K of Special Condition 5.6 (System operator external incentives, revenues and costs). <u>has the meaning given to that term in the Uniform Network Code – Transportation Principal Document</u>
GHG Independent Examiner	means a person nominated by and independent of the licensee with the skills and knowledge of accepted greenhouse gas accounting and audit principles so as to be qualified to undertake an examination of the Greenhouse Gas Emissions Calculation Methodology for calculating the mass of Natural Gas Vented and verification of the application of this methodology.
Great Britain	means the landmass of England, Wales and Scotland, including internal waters.
Greenhouse Gas Emissions Calculation Methodology	is the methodology required under part EF of Special Condition 5.6 <u>8</u> (System operator external environmental incentives, revenues and costs)-(SOEL _i)).
GT Asset Health Plan	means the document of that name prepared by the licensee and submitted to the Authority in December 2019 <u>2024</u> .
GT1 Price Control Financial Model <u>GT2/GT3 Crossover Item</u>	has the meaning given to <u>means an output, Price Control Deliverable or activity:</u> <u>a) that term is funded in Special Condition 1A (Definitions and Interpretation) of this part or in full by a mechanism specified in the licence as in force on 31 March 2021</u> <u>2026; and</u> <u>b) in the delivery of which the licensee, acting reasonably and efficiently, has incurred or is</u>

	<u>expected to incur expenditure during the Price Control Period.</u>
<u>GT2/GT3 Crossover Submission Requirements and Guidance Document</u>	<u>means the document issued by the Authority in accordance with Part D of Special Condition 3.28 GT2/GT3 crossover adjustment (GT2ACA_c)</u>
GT2 <u>Legacy</u> Price Control Financial Handbook <u>Model</u>	means the document of that name that was first published by the Authority to come into effect on 1 April 2021 and includes specific information and advice about the operation of the Annual Iteration Process and a modified version of the GT2 Price Control Financial Model, as modified from time to time <u>that term is defined</u> in accordance with the provisions of Special Condition 8 <u>1.1</u> (Governance of the GT2 Price Control Financial Instruments). <u>Interpretation and definitions) of this licence as in force on 31 March 2026.</u>
GT2 <u>GT3</u> Price Control Financial Instruments <u>Handbook</u>	means the GT2 Price Control Financial Handbook and the GT2 Price Control Financial Model. <u>means the document of that name that was first published by the Authority and which comes to come into effect on 1 April 2026.</u>
GT2 <u>GT3</u> Price Control Financial Model	means the model of that name that was first published by the Authority to come into effect on 1 April 2021; (g) that is represented by a workbook in Microsoft Excel® format maintained under that name on the Authority's Website; and that the Authority will use to determine the value of the term AR_t through the application of the Annual Iteration Process in accordance with the provisions of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) and as modified from time to time in accordance with the provisions of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments). <u>2026.</u>
<u>GT3 Price Control Financial Instruments</u>	<u>means the GT3 Price Control Financial Handbook and the GT3 Price Control Financial Model.</u>

~~GT2GT3~~ Price Control Financial Model Working Group

means the working group identified in and whose terms of reference are set out in Chapter 2 of the ~~GT2GT3~~ Price Control Financial Handbook.

High Impact Point of Failure

means the government-designated single physical infrastructure asset or site, whose failure would result in significant disruption to the continuity of gas or electricity supply without any established mitigations or redundancies in place to rapidly resolve the impacts.

Halted Project RevenuesImprovement Plan

means revenues received (whether by the licensee or any other Gas Transporter Licensee) under the NIC Funding Mechanism in respect of an Eligible NIC Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction. ~~means a plan of the sort that the licensee was invited to submit at bullet point 2 on page 7 of the document titled “Ofgem Competent Authority Guidance for Downstream Gas and Electricity in Great Britain”, published by the Authority on 30 November 2018.~~

means a plan of the sort that the licensee submits as part of their Network and Information Systems (NIS) compliance reporting requirements each year as set under the 'NIS Guidance for Downstream Gas and Electricity Operators of Essential Services in Great Britain v2.0' last published by the Authority on 1st April 2022 (or after if or when a new version is made available).

ILI Report

is a report undertaken by the licensee detailing the length of time taken by the licensee to complete both Short ILIs and Long ILIs and comparing this against previous annual reporting figures and any other relevant benchmarks.

Improvement Plan—

~~means a plan of the sort that the licensee was invited to submit at bullet point 2 on page 7 of the document titled “Ofgem Competent~~

~~Authority Guidance for Downstream Gas and Electricity in Great Britain”, published by the Authority on 30 November 2018.~~

In Line Inspection	means the internal inspection of pipelines through the use of pipeline inspection gauges.
Incremental Entry Capacity	means Firm Entry Capacity other than Non-Incremental Obligated Entry Capacity.
Incremental Entry Capacity Services	means the undertaking of engagements relating to the provision of Entry Capacity other than Non-Incremental Obligated Entry Capacity.
Incremental Exit Capacity	means Firm Exit Capacity other than Non-Incremental Obligated Exit Capacity.
Incremental Exit Capacity Services	means the undertaking of engagements relating to the provision of Exit Capacity other than Non-Incremental Obligated Exit Capacity.
Incremental Obligated Entry Capacity	means the volume of Firm Entry Capacity which the licensee is required to offer for sale at an NTS Entry Point that is above the level of Non-Incremental Obligated Entry Capacity, and is derived in accordance with the methodology statements which the licensee must have in place under Special Condition 9.18 <u>17</u> (Methodology to determine the release of Entry Capacity and Exit Capacity volumes).
Incremental Obligated Exit Capacity	means the volume of Firm Exit Capacity which the licensee is required to offer for sale at an NTS Exit Point that is above the level of Non-Incremental Obligated Exit Capacity, and is derived in accordance with the methodology statements which the licensee must have in place under Special Condition 9.18 <u>17</u> (Methodology to determine the release of Entry Capacity and Exit Capacity volumes).
Independent Examiner	means a person nominated by and independent of the licensee with the skills and knowledge to undertake an examination.
Independent System	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation), except that for the purposes of Special Condition 6.2 (Gas

conveyed to Independent Systems) only, it means independent systems (as defined in Standard Special Condition A3) through which the gas conveyed to consumers consists wholly or mainly of LNG or LPG.

Information Gathering
Plan

means a plan required by Part E of Special
Condition 9.2

(Network Asset Risk Metric methodology).

Innovation

means:

(a) solutions that have been trialled by any Network Licensee as part of a ~~RIIO-1 and RIIO-2~~ Network Innovation Allowance project pursuant to the requirements of the ~~RIIO-1 and RIIO-2~~ NIA Governance ~~Document Documents~~ or a RIIO-23 NIA Project; or

(b) involves the application of technology, systems or processes that were not proven as at the time of submission of the Business Plan.

Interruptible Entry Capacity

means Entry Capacity that may be subject to curtailment by the licensee under the provisions relating to interruption in the Uniform Network Code.

IP Completion Day

has the meaning given to that term in Standard Condition 1 (Definitions and Interpretation).

ISOP

means the person for the time being designated as the Independent System Operator and Planner under section 162 of the Energy Act 2023 who holds an Electricity System Operator Licence and Gas System Planner Licence.

IT

means a licensee's information technology for business systems that relate to the use of computers, software, hardware and other systems and devices to perform business operations.

LDZ

has the meaning given to that term in the Network Code.

Licence Baseline Entry Capacity	means the volume of Entry Capacity as set out in Appendix 1 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) and any Funded Incremental Obligated Entry Capacity from five years after the contractual delivery date of that capacity.
Licence Baseline Exit Capacity	means the volume of Exit Capacity as set out in Appendix 2 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) and any Funded Incremental Obligated Exit Capacity from five years after the contractual delivery date of that capacity.
Licensed Activity	has the meaning given to the term "Transportation Business" in Standard Special Condition A3 (Definitions and Interpretation).
Licensee's Offices	means the licensee's offices located in Derby, Easing, London, Solihull, Warrington, and Warwick and Wokingham. Where the sites are shared with multiple parties, the metrics achieved at the overall site will be attributed in proportion with the capex allocation (as notified by the licensee to the Authority) for each entity residing at the site.
LNG	means liquefied natural gas.
Local Area Energy Plan	means a plan <u>owned by a local authority that has been developed in the context of achieving net zero that is the product of a process through and on</u> which a range of stakeholders including <u>the other</u> Network Licensees <u>and local authorities agree and have been invited to comment on the optimal long-term energy solutions for an area; and;</u> (a) that has been conducted in the context of enabling energy systems with net zero carbon emissions.
Locational Action	means any action taken by the licensee where the action was taken in respect of a specific location and would therefore be coded with a locational reason code on the On-the-day Commodity Market, and where locational buys

will be treated as a cost to the licensee and locational sells will be treated as a revenue.

Locational Buy Action

means a Locational Action treated as a cost for the licensee.

Locational Sell Actions

means a Locational Action treated as a revenue for the licensee.

Long-Term Customer Activities Element

~~is work necessary to undertake an In-Line Inspection of a section of the pipeline system to which this licence relates where the length of pipeline concerned is more than 10km and requiring one or more Maintenance Plan Days.~~
means the element of the customer satisfaction survey that measures customer satisfaction in relation to long-term customer activities services carried out by the licensee (CSC). This includes, wherever possible: connections, disconnections, markets and strategy changes and Uniform Network Code modifications and engagements.

Long Term Development Statement

means the element of the customer satisfaction survey that measures customer satisfaction in relation to long-term customer activities services carried out by the licensee, such services to include: connections, disconnections, markets and strategy changes and Uniform Network Code modifications and engagements.
means a statement prepared by the licensee in accordance with Part A of Special Condition 9.10 (Licensee's network planning).

Long-term Monetised Risk

means the Monetised Risk measured over a defined period of time greater than one year from a given start date and equal to the cumulative Single-year Monetised Risk values over the defined period.

LPG

means a mix of hydrocarbon gases including propane and butane in accordance with the engineering standard titled "British Standard European Norm 589:2018 Automotive Fuels. LPG. Requirements and test methods".

Maintenance

includes:

- (a) maintenance, inspection, repair, replacement, reinstatement and

recommissioning of the pipeline system to which this licence relates or any part or parts of it;

- (b) works for the expansion, reinforcement or extension of the pipeline system to which this licence relates, including works in relation to existing parts of that pipeline system (including any part of the system which is out of service, whether on a temporary or permanent basis) to enable such works to be carried out; and

any inspection, testing and commissioning of works within paragraphs (a) and (b), and works preparatory thereto, and any works required for bringing any new or existing part of the pipeline system to which this licence relates into, or back into, service.

Maintenance Change Day

means any Maintenance Plan Day, where the licensee has initiated a change compared to the Maintenance Plan, unless:

- (a) the licensee has requested the change to facilitate the requirements of another Maintenance Relevant Party;
- (b) in the case of where the customer has cancelled an Advice Notice Day, the licensee deemed it reasonably necessary to initiate another Maintenance Plan Day for the same Maintenance activity;
- (c) in the case of an Advice Notice Day, the licensee has requested the change to align its Maintenance activities with a customer and the change continues to align with the same customer Maintenance Programme or another Maintenance Programme agreed with the customer; or
- (d) in the case of an Advice Notice Day, the Advice Notice Day includes more than one Maintenance activity and the

licensee has requested the change to move some of the Maintenance activity to another Maintenance Programme agreed with the customer.

Changes for the purposes of this definition are changes that result in:

(a) a change in date, including a change to the number of days that one or more Maintenance Relevant Parties are affected by a Maintenance Plan Day; and

(b) a cancellation of a Maintenance Plan Day.

Maintenance Day

has the meaning given to that term in the Uniform Network Code.

Maintenance Plan

means the year ahead plan that is made up of the notifications of Maintenance Plan Days that the licensee sends to Maintenance Relevant Parties on or before 1 April for the Regulatory Year in respect of the Maintenance Plan Days.

Maintenance Plan Day

means any planned Maintenance Day included within the Maintenance Plan or any planned Maintenance Day subsequently added to the Maintenance Plan after 1 April in the relevant Regulatory Year that is related to one or more of the following Maintenance activities (for the avoidance of doubt (a) where a single Maintenance activity affects multiple Maintenance Relevant Parties on a day, this will be construed as a single Maintenance Plan Day; and (b) this includes Advice Notice Days):

(a) routine maintenance (e.g. routine Valve Operations); and

~~(b) planned asset replacement and reinforcements, including but not limited to boiler replacements, work to facilitate the replacement of Compressors to enable compliance with emissions related legislation and incremental capacity requirements; and~~

(c) in-line inspections, where these activities affect one or more Maintenance Relevant Parties and where this party is an NTS Supply Point or an NTS Connected System

Exit Point. For the avoidance of doubt, this does not include activities that cannot reasonably be planned in advance of the draft Maintenance Plan in respect of Regulatory Year t including work following a network gas supply emergency or force majeure, work following a fault or defect, pipeline feature inspections or any activities carried out on behalf of one or more third parties.

Maintenance Programme

has the meaning given to that term in the Uniform Network Code.

Maintenance Relevant Party

has the meaning given to that term in the Uniform Network Code.

Maintenance Workload

is the sum in Days of the licensee's overall Maintenance work and is equal to the number of Maintenance Plan Days in Regulatory Year t.

Market Facilitation Element

means the element of the customer satisfaction survey that measures customer satisfaction in relation to market facilitation services carried out by the licensee, such services to include activities associated with validation of end of Day measurements and allocations, metering, reconciliation and measurement assurance to ensure correct shipper billing, energy balancing related queries, setting up and allocating capacity auctions and managing capacity constraint strategies.

Market Offer Price

has the meaning given to that term in Uniform Network Code.

Materiality Threshold

has the value £10.7m **18.94.45.6m**.

Mature Innovation

in relation to the Digitalisation Re-opener means a product or service that has:

- (a) progressed through network innovation spending, such as the SIF, NIC, or NIA, to the point where it is ready to be considered as part of business-as-usual operations; or
- (b) is the result of industry-wide activities relating to the modernisation of regulatory reporting.

Measurement Equipment	has the meaning given to that term in the Uniform Network Code.
Minor Works Agreement <u>Mechanistic PCD</u>	means the services offered by the licensee which enable Maintenance Relevant Parties to pay the incremental costs of the licensee working flexibly outside normal working practices where possible in respect of <u>Maintenance means a Price Control Deliverable that is not an Evaluative PCD.</u>
Monetised Risk	means an estimation of Asset Risk as derived in accordance with the NARM Methodology as well as the similarly derived estimated risks associated with aggregated asset groupings, and disaggregated sub-components, as relevant.
Monetised Risk Benefit	means the risk benefit delivered or expected to be delivered by an asset intervention, which: <ul style="list-style-type: none"> (a) is the difference between without intervention and with intervention Monetised Risk; (b) can be measured over one year or over a longer period of time; and includes both direct (i.e. on the asset itself) and indirect (i.e. on adjacent assets or on the wider system) risk benefits.
NARM Asset	means an asset specified within the NARM Methodology where its associated Monetised Risk can be estimated by applying the NARM Methodology.
NARM Asset Category	means a group of assets with similar functions and design as specified in the NARM Methodology.
NARM Handbook	means the document of that name issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that: <ul style="list-style-type: none"> (a) sets out the methodology for calculating relevant funding adjustments and penalties as a result of Outturn Network

Risk Outputs being different to Baseline Network Risk Outputs; and

(b) provides guidance to the licensee on providing justification for over-delivery and under-delivery; the treatment of Non-Intervention Risk Changes and the meaning and treatment of 'clearly identifiable over-delivery' and 'clearly identifiable under-delivery'.

NARM Methodology

means the methodology established pursuant to Special Condition 9.2 (Network Asset Risk Metric methodology).

NARM Objectives

means the objectives set out in Part B of Special Condition 9.2 (Network Asset Risk Metric methodology).

National Cyber Security Centre

(NCSC) UK National Technical Authority on Cyber Security

National Underground Asset Register

is a digital map of underground pipes and cables in England, Wales and Northern Ireland funded by asset owners under the Data (Use and Access) Act 2025.

NCSC Cyber Assessment Framework

means the ~~Cyber Assessment Framework~~ cyber assessment framework (CAF), issued by the UK NCSC, which provides a structured methodology for evaluating and enhancing organisational cyber resilience. It comprises 1416 principles addressing governance, risk management, and technical controls, offering a consistent basis for assessing compliance and maturity. The framework is outcome-focused rather than prescriptive, enabling organisations to evidence progress toward robust cybersecurity.

NCSC CAF Contributing Outcomes

means the 39 specific cybersecurity objectives within the UK's NCSC Cyber Assessment Framework (CAF), each aligned to one of 1416 CAF principles and designed to help organisations demonstrate and improve their cyber resilience through measurable progress ratings such as "Not Achieved", "Partially Achieved", or "Achieved".

NCSC CAF Outcomes

~~These are the high level results the framework expects, essentially, the specification of what good cyber resilience looks like. They are written as outcomes, not as a checklist of actions.~~

National Forecast Flow Data Item or Report

means an hourly data item or report published by the licensee showing, for each Day, aggregate forecast flows of gas into the NTS based on delivery flow nominations.

National Physical Flow Data Item or Report

means an hourly data item or report published by the licensee showing, for each Day, aggregate forecast flows of gas into the NTS based on actual (aggregate) physical flows into the NTS.

National Risk Register

means the UK Government's official public assessment of the most serious risks facing the UK, including malicious threats, accidents, system failures, natural and environmental hazards, and other risks that could impact critical national infrastructure, as published by the Cabinet Office: National Risk Register 2025 - GOV.UK

Natural And Environmental Hazards

means hazards as described in the National Risk Register, including storms, flooding (coastal, fluvial, surface water), drought, wildfire, extreme temperatures, earthquakes, volcanic eruptions, severe space weather.

Natural Gas Vented

means the release of natural gas from a Compressor as a result of:

- (a) starting a Compressor;
- (b) purging a Compressor;
- (c) depressurising a Compressor; or
- (d) the leakage of gas through a seal around the shaft of a Compressor.

Net Margins WACOG

has the meaning given to that term in the Uniform Network Code.

~~Net Zero Advisory Group~~

~~means a group set up by the Authority with the objective to strengthen strategic coordination among key government departments and public sector organisations involved in the energy system transition, including around the heat, power, and transport sectors.~~

~~Net Zero And Re-opener
Development Fund~~

~~means a use-it-or-lose-it allowance provided by
Special Condition 3.5 (Net Zero And Re-opener
Development Fund use it or lose it allowance).~~

~~Net Zero and Re-opener
Development Fund
Governance Document~~

~~means the document of that name issued by the
Authority in accordance with Special Condition 3.5
(Net Zero And Re-opener Development Fund use it
or lose it allowance).~~

Net Zero Carbon Targets

means the targets set out in:

- (a) section 1 of the Climate Change Act 2008;
- (b) section A1 of the Climate Change (Scotland) Act 2009; and
- (c) section 29 of the Environment (Wales) Act 2016.

Net Zero Development

means a change in circumstances related to the achievement of the Net Zero Carbon Targets that is:

- (a) a change in national government policy (including policies of the devolved national parliaments);
- (b) a change in local government policy;
- (c) the successful trial of new technologies or other technological advances;
- (d) a change in the pace or nature of the uptake of low carbon technologies; or
- (e) a new obligation arising from the agreement of a Local Area Energy Plan or an equivalent arrangement.

~~Net Zero Innovation Board~~

~~means the board established by the government to ensure a co-ordinated approach to innovation funding across public sector bodies in the United Kingdom.~~

~~Net Zero Pre-construction
Work~~

~~means:~~

- ~~(f) surveys, assessments and studies;~~
- ~~(g) project design;~~
- ~~(h) engineering development;~~
- ~~(i) stakeholder engagement and consultation;~~
- ~~(j) tasks associated with wayleaves;~~
- ~~(k) planning applications; and~~
- ~~(l) any other relevant necessary activities to progress to final investment decision.~~

Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document Network Asset	means the document issued by the Authority in accordance with Part B of Special Condition 3.9 (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener). means the assets that collectively form the pipeline system to which this licence relates, and includes the principal components of those assets.
Network Asset Risk Metric	means the Monetised Risk associated with a NARM Asset or the Monetised Risk Benefit associated with a NARM Asset Intervention.
Network Asset Risk Workbook	means the workbook of that name in Microsoft Excel® format issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that contains the following data: <ul style="list-style-type: none"> (a) (a)——Baseline Network Risk Outputs; (b) (b)——Disaggregated Network Risk Outputs; (c) (c)——the baseline funding associated with the Disaggregated Network Risk Outputs; (d) (d)——Asset Intervention underlying the Disaggregated Network Risk Outputs; and (e) (e)——records of results from Rebasing exercise.
Network Code	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Network Licensee	means the holder of a licence granted or treated as granted under section 7 or 7AA of the Act or section 6(1)(b), (c) or (da) of the Electricity Act 1989.
Network Model	means a computer simulation used to predict the behaviour of the NTS under different supply and demand scenarios.
Network Risk Output	means the risk benefit delivered or expected to be delivered by an Asset Intervention and is calculated as the difference between Monetised Risk values associated with the "without intervention scenario" and the "with

intervention scenario", measured over a period equal to the assumed intervention lifetime from the end of the Price Control Period, which can vary for asset category or specific assets and intervention types.

NIA Network Innovation Allowance (NIA)

means the Network Innovation Allowance provided by Special Condition 5.2 (RIIO-23 Network Innovation Allowance).

NIC

~~means the arrangements known as the network innovation competition established by Special Condition 2F (The Network Innovation Competition) of this licence as in force on 31 March 2021.~~

means the arrangements known as the network innovation competition established by Special Condition 2F (The Network Innovation Competition) of this licence as in force on 31 March 2021.

NIC Funding Governance Document

~~means the total amount document of funding authorised that name maintained by the Authority for the Licensee and other Gas Transporter Licensees, in accordance with the provisions Special Condition 7.7 (RIIO-GT1 network innovation competition) of the NIC Governance Document, for the purpose of funding Eligible NIC Projects this licence as in force on 31 March 2026.~~

means the total amount document of funding authorised that name maintained by the Authority for the Licensee and other Gas Transporter Licensees, in accordance with the provisions Special Condition 7.7 (RIIO-GT1 network innovation competition) of the NIC Governance Document, for the purpose of funding Eligible NIC Projects this licence as in force on 31 March 2026.

NIC Funding Mechanism NIS-R

~~means the mechanism by which the licensee recovers the amount of authorised NIC Funding and apportions that amount between the licensee and other Gas Transporter Licensees as appropriate in accordance with the NIC Governance Document. The Network and Information Systems Regulations 2018, UK law implementing the EU NIS Directive, which sets security and incident reporting requirements for Operators of Essential Services (e.g., energy, transport, water, health) and Relevant Digital Service Providers (e.g., cloud services, online marketplaces) to improve resilience against cyber and physical threats.~~

means the mechanism by which the licensee recovers the amount of authorised NIC Funding and apportions that amount between the licensee and other Gas Transporter Licensees as appropriate in accordance with the NIC Governance Document. The Network and Information Systems Regulations 2018, UK law implementing the EU NIS Directive, which sets security and incident reporting requirements for Operators of Essential Services (e.g., energy, transport, water, health) and Relevant Digital Service Providers (e.g., cloud services, online marketplaces) to improve resilience against cyber and physical threats.

~~NIC Governance Document~~NRO

~~means the document of that name maintained by the Authority in accordance with Special Condition 7.7 (RIIO-GT1 network innovation competition).~~A NIS Responsible Officer (NRO) is a formally designated individual within an Operator of Essential Services (OES) who holds overall responsibility the OES's compliance with the NIS-R. for compliance with the UK Network and Information Systems (NIS) Regulations. This role is mandated under the UK's implementation of the NIS Directive (2018) and its updates.

~~NOMs Incentive Methodology~~

~~means the document entitled "Network Output Measures (NOMs) Incentive Methodology" published by the Authority on 6 December 2018.~~

~~NOMs Methodology~~

~~means the methodology approved under Special Condition 7D (Methodology for Network Output Measures) of this licence as in force on 31 March 2021.~~

Non-Incremental Obligated Entry Capacity

is the Licence Baseline Entry Capacity adjusted for Entry Capacity Substitution.

Non-Incremental Obligated Exit Capacity

is the Licence Baseline Exit Capacity adjusted for Exit Capacity Substitution.

Non-intervention Risk Changes

means the factors set out in the NARM Handbook that are unrelated to the licensee's Asset Interventions and impact the licensee's Outturn Network Risk Outputs.

Non-Obligated Entry Capacity

means Firm Entry Capacity other than Obligated Entry Capacity.

Non-Obligated Exit Capacity

means Firm Exit Capacity other than Obligated Exit Capacity.

~~Non-operational IT Capex~~

~~has the meaning given to that term in the RIGs.~~

Not Delivered

means where the licensee has not delivered the output specified in the relevant special condition in full or in part by the relevant delivery date and does not intend to deliver the output in full or in part at a later date.

NTS	has the meaning given to that term in the <u>Uniform Network Code</u> .
NTS Connected System Exit Point	<u>is a system point comprising one or more NTS Exit Points which are not Supply Meter Points.</u> has the meaning given to that term in the Uniform Network Code.
NTS Entry Point	has the meaning given to that term in the Uniform Network Code. <u>is a system point designed to permit gas to flow onto the NTS.</u>
NTS Exit Point	has the meaning given to that term in the Uniform Network Code. <u>is a system point designed to permit gas to flow out of the NTS.</u>
NTS Linepack	has the meaning given to that term in the Uniform Network Code.
NTS Shrinkage	has the meaning given to that term in the Uniform Network Code. <u>means energy used in operating the system and other energy which can't be charged to consumers or accounted for in the measurement and allocation process.</u>
NTS Supply Point <u>Price Reporting Agency</u>	has the meaning given to that term in the Uniform Network Code. <u>means Argus Media or any other publisher and information provider chosen by the licensee, that reports commodity prices in physical and derivative commodity markets in order to provide an informed assessment of commodity price levels at distinct points in time.</u>
<u>NTS Shrinkage Procurement Strategy</u>	<u>means a strategy required under Part I of Special Condition 5.8 (System operator environmental incentives SOEl_t).</u>
<u>NTS Shrinkage Report</u>	<u>means a report required under Part H of Special Condition 5.8 (System operator environmental incentives SOEl_t).</u>
NTS System Entry <u>Supply Point</u>	has the meaning given to that <u>the</u> term <u>Supply Point</u> in the Uniform Network Code.
NTS System Operation Activity	means engagements undertaken by the licensee pursuant to the operation of the NTS, being the procuring and using of balancing services for the purpose of balancing the NTS and the arranging with the NTS

Transportation Owner Activity for the delivery of Incremental Entry Capacity and Incremental Exit Capacity, including:

- (a) Incremental Entry Capacity Services;
 - (b) Incremental Exit Capacity Services;
 - (c) residual gas balancing services;
 - (d) balancing management;
 - (e) Constraint Management services; and
- the provision of services in relation to gas quality.

NTS System Operation Charges

means charges made or levied, or to be made or levied, by the licensee for the provision of services as part of its NTS System Operation Activity, to any person for the purpose of recovering its SO Allowed Revenue.

~~NTS System Operator~~

~~means the licensee when carrying out an NTS System Operation Activity.~~

NTS Throughput Data Item or Report

means a data item or report published by the licensee showing, amongst other data, the forecast level of Actual NTS Throughput.

NTS Transportation Owner Activity

means the activities of the licensee connected with the development, administration and maintenance of the NTS and with the Supply Of NTS Services.

NTS Transportation Owner Charges

means charges made or levied, or to be made or levied, by the licensee for the provision of services as part of its NTS Transportation Owner Activity, to any person, for the purpose of recovering its Allowed Revenue.

Obligated Entry Capacity

is the sum of Non-Incremental Obligated Entry Capacity and Funded Incremental Obligated Entry Capacity (which will become Non-Incremental Obligated Entry Capacity five years after the contractual delivery date of that capacity).

Obligated Exit Capacity

is the sum of Non-Incremental Obligated Exit Capacity and Funded Incremental Obligated Exit Capacity (which will become Non-Incremental Obligated Exit Capacity five years after the contractual delivery date of that capacity).

Off-Peak Exit Capacity	has the meaning given to the term “off-peak daily NTS exit (flat) capacity” in the Uniform Network Code, unless at an NTS Exit Point described in Appendix 2 to Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) as an interconnector, where it shall have the meaning given to the term “interruptible NTS interconnection point capacity” in the Uniform Network Code.
OM Interested Party	means any party which may be affected by the procurement of Operating Margins by the licensee, including those parties which may be able to provide Operating Margins to the licensee.
On-the-day Commodity Market	means the on-the-day commodity market in which Relevant Shippers and the licensee can buy and sell gas.
Operating Margins	has the meaning given to that term in the Uniform Network Code.
Operating Margins Report	means a report produced and published by the licensee under part H FF ^{FF} of Special Condition 5.6 (System operator external incentives, revenues and costs).
Operating Margins Requirements	has the meaning given to that term in the Uniform Network Code.
Operating Margins WACOG	has the meaning given to that term in the Uniform Network Code.
Operational Data	includes, unless otherwise directed by the Authority: <ul style="list-style-type: none"> (a) the National Forecast Flow Data Item or Report; (b) the National Physical Flow Data Item or Report; (c) the NTS Throughput Data Item or Report; and (d) the Predicted Closing Linepack Data Item or Report.
Operational Performance	is a measure of returns which includes totex and output delivery incentive performance but excludes performance on debt, tax, and the

OT

business plan incentive. It also excludes the baseline allowed return on equity.

means a licensee's operational technology and information systems that monitor ~~and~~ control and protect physical devices and processes of operations which relate to gas.

Other Activities and & Events Element

means the element of the customer satisfaction survey that measures customer satisfaction in relation to any other activities and events services carried out by the licensee, such services to include events organised by the licensee and future of gas projects.

Outturn Network Risk Output

means the Monetised Risk Benefit delivered during the Price Control Period through the licensee's Asset Interventions and derived so as to give a fair and accurate reflection of the licensee's delivery when compared against Baseline Network Risk Outputs as part of the Authority's assessment of the licensee's overall delivery of its Baseline Network Risk Outputs.

PARCA

means any:

- (a) "PARCA" as that expression is defined in the Uniform Network Code; and
- (b) agreement between the licensee and a PARCA Applicant relating to the reservation and allocation of Entry Capacity or Exit Capacity under "European Interconnection Document, Section E" of the Uniform Network Code.

PARCA Applicant

means any:

- (a) "PARCA Applicant" as that expression is defined in the Uniform Network Code; and
- (b) person applying to reserve and then be allocated Entry Capacity or Exit Capacity under "European Interconnection Document, Section E" of the Uniform Network Code.

PARCA Termination Amount	means the amount of money the licensee is entitled to recover from a PARCA Applicant under the PARCA in the event a PARCA is terminated.
PARCA Termination Costs	means the costs incurred by the licensee in respect of a PARCA that is terminated prior to the allocation of Funded Incremental Obligated Entry Capacity or Funded Incremental Obligated Exit Capacity.
PARCA Termination Value	means an amount equal to the PARCA Termination Costs incurred less PARCA Termination Amounts received from PARCA Applicants.
Partially Delivered	means where the licensee has delivered some, but not all of the output specified in the relevant special condition.
Partially Delivered With Alternative Specification	means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving only part of the Consumer Outcome that would have been achieved if the licensee had delivered the output as set out in the relevant special condition.
Partner Licensee	means a Network Licensee that has agreed to accept or transfer responsibility for a CAM Activity.
PCD Reporting Requirements and Methodology Document	means the document of that name issued by the Authority in accordance with Part BC of Special Condition 9.3 ³⁴ (Price Control Deliverable Reporting Requirements Assessment principles and Methodology Document reporting requirements).
<u>PCFM Variable Values</u>	<p>means the values in <u>the table of that named:</u></p> <p>a) <u>Table 3.1 - PCFM Variable Values (VV) for TO; and</u></p> <p>b) <u>Table 3.2 - PCFM Variable Values (VV) for SO</u></p> <p><u>in the GT3 Price Control Financial Handbook.</u></p>

PCFM Guidance	means the guidance document issued by the Authority in accordance with Part E of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model).
PCFM Variable Values	means the values in the table of that name in the GT2 Price Control Financial Handbook.
Pension Scheme Established Deficit	means the difference between assets and liabilities, determined at any point in time, attributable to pensionable service up to the end of the 31 March 2012 and relating to the Transportation Business under the Authority's Price Control Pension Principles. The term applies equally if there is a subsequent surplus.
Permitted Administration Fee	means the amount the licensee is permitted to raise and retain for administering the mechanism contained in Special Condition 9.15 (NTS shortfall contribution obligations).
Phase 1 PARCA Works Reports	has the meaning given to that term in the Network Code.
Physical Renomination Incentive Charges	has the meaning given to that term in the Uniform Network Code.
Physical Security Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.4 (Physical security3 Resilience Re-opener and Price Control Deliverable (RESREt, PSUPt and PSUPREt) by its title and publication date.
<u>Physical Security Requirements</u>	<u>means physical security works to Critical National Infrastructure on the licensee's property or infrastructure that is mandated by legislation, regulations, policy or other central government requirements.</u>
Physical Security PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.4 (Physical security3 Resilience Re-opener and Price Control Deliverable (RESREt, PSUPt and PSUPREt) by its title and publication date.
Physical Security Upgrade Programme	<u>means physical security investment at Critical National Infrastructure sites as mandated by government. means the programme of physical security investment at Critical</u>

National Infrastructure sites mandated by UK Government, including the programme in place at the start of the Price Control Period and any successor, replacement, or additional programme designated by UK Government during the Price Control Period.

Pipeline Diversion Costs

means costs incurred, or expected to be incurred, by the licensee in relation to extant liabilities or other obligations to divert existing pipelines which:

- a)
 - i. arise as a result of existing obligations or liabilities taken on by the Gas Council or British Gas plc. for which the licensee is now responsible; and
 - ii. the licensee can demonstrate it has done everything in its powers to recover from the relevant party requesting the pipeline diversion;
- b) arise as a result of third-party encroachment on land, easements, access rights, licences or any other land related interests above or in the vicinity of a pipeline section (which may include but is not limited to a traveller site), and where efforts to re-locate the third party and/or material item(s) through stakeholder engagement or pursuing legal options available have failed;
- c) arise as a result of a significant environmental event; or
- b)d) arise as a result of a force majeure event.

Pipethrough

~~means the process of the removal of mainline valve and any bypass arrangement and associated assets replacing with a section of line pipe.~~

Plant And Equipment

~~means the pipework at compressor stations and above ground installations, coated as a means of primary protection and protected by cathodic protection as a secondary means where it is below ground as well as the equipment associated with maintaining gas quality and pressure.~~

Policing Costs	means the costs of complying with any requirement arising under sections 85 to 90 of the Counter-Terrorism Act 2008 in respect of the provision of policing services in or around a gas facility.
Predicted Closing Linepack Data Item or Report	means a hourly data item or report published by the licensee showing, for each Day, the opening NTS Linepack, two projected closing NTS Linepack figures, and Forecast Total System Demand.
Prepayment Meter Installation	means a Domestic Sized Meter and associated equipment and installations (excluding housing) comprised in a Supply Meter Installation as Supply Meter Installation is defined by paragraph 1.2.2(a) of section M (Supply Point Metering) of the Network Code through which gas, which is charged for as it is used, is supplied.
Prescribed Rates	means: <ul style="list-style-type: none"> (a) business rates in England and Wales; and (b) non-domestic rates in Scotland or any equivalent tax or duty replacing those rates that is levied on the licensee in respect of its Licensed Activity.
Price Control Deliverable	means the outputs, delivery dates and associated allowances in Special Conditions 3.2 to, 3.43, 3.6, 3.79, 3.10 to, 3.11, 3.13, 3.1517, 3.18, 3.24, 3.25, 3.26 and 3.4627.
Price Control Pension Principles	means the principles set out in the Authority's guidance note on price control pension principles issued as Appendix 3 to the decision letter, "Decision on the Authority's policy for funding Pension Scheme Established Deficits" dated 7 April 2017.
Price Control Period	means the period of five Regulatory Years commencing on 1 April 2021 <u>2026</u> .
<u>Price Reporting Agency</u>	<u>means Argus Media or any other a publisher and information provider chosen by the licensee, that reports commodity prices in physical and derivative commodity markets in order to provide an informed assessment of commodity price levels. at distinct points in time.</u>

Procurement Guidelines Document

means a statement of that name maintained and revised in accordance with Part B of Special Condition 9.1918 (System Management Services).

Project Direction Proposed Final Preferred Option

means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism. means the option selected by the licensee for a specific site or projects.

PSUP Solution

means the site physical security upgrade specified by the government.

Qualifying Project Quarry and Loss (Development Claim Costs)

means the costs reasonably incurred, or expected to be incurred, by the licensee in relation to settling any claims from landowners whose land contains network assets, which relate to:

(a) loss of land development project;

(b) sterilised minerals;

(c) landfill and tipping;

(d) power generation;

(e) drainage; or

(f) loss of crop

where the licensee can demonstrate that affects the local environment that it has either:

(c) passed through and been granted external planning approval; or

passed through the licensee's internal decision making stage "network development process gate 4". used reasonable endeavours to challenge both the basis of the claim and the quantum of the compensation sought.

Quarry and Loss Development Claim Costs

means the costs reasonably incurred, or expected to be incurred, by the licensee in relation to settling any claims from landowners whose land contains network assets, which relate to:

(a) loss of land development;

(b) sterilised minerals;

	<p>(c) landfill and tipping;</p> <p>(d) power generation;</p> <p>(e) drainage; or</p> <p>(f) loss of crop</p> <p>where the licensee can demonstrate that it has used reasonable endeavours to challenge both the basis of the claim and the quantum of the compensation sought.</p>
RAV	means regulatory asset value.
Rebased Baseline Network Risk Output	means a Baseline Network Risk Output that has been revised to give effect to a modified NARM Methodology as approved under paragraph 9.2.9 of Special Condition 9.2 (Network Asset Risk Metric methodology) pending the Authority's approval. If approved by the Authority, the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Output for the purposes of Special Condition 3.1 (Baseline Network Risk Output).
Rebasing	means the process of modifying the Baseline Network Risk Output as set out in Part C of Special Condition 3.1 (Baseline Network Risk Outputs).
Redundant Assets	means equipment or , <u>assets or sites</u> which are no longer utilised <u>by the licensee</u> (either now or in the foreseeable future) by the licensee for the Transportation Business, but does not include equipment and assets which are or are to be repurposed or used for Innovation.
Redundant Assets PCD Tables	means the tables of that name in the document identified in Appendix 1 to Special Condition 3.16 (Redundant Assets Price Control Deliverable) by its title and publication date.
Regulatory Financial Performance Reporting	means the reporting template and associated guidance of the same name that the licensee is required to submit to the Authority in accordance with the RIGs.
Regulatory Year	means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00.

Related Undertaking	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
<u>Relevant Element</u>	<p><u>means whichever of the following elements is appropriate in the circumstances:</u></p> <ul style="list-style-type: none"> <u>(a) the Day-to-Day Customer Activities Element;</u> <u>(b) the Market Facilitation Element;</u> <u>(c) the Long-Term Customer Activities Element; or</u> <u>(d) the Other Activities & Events Element, as appropriate.</u>
Relevant Gas Transporter	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Relevant Network Model Data	means all the data necessary for the Network Model to satisfy the first two requirements in Part B of Special Condition 9.12 (Licensee's Network Model).
Relevant Point	means a point of the licensee's pipeline system on which the licensee will make information on technical, contracted and available capacities on a numerical basis public, on a regular and rolling basis in a user-friendly and standardised manner, as required by Article 18.3, EC Regulation 715/2009, as it has effect immediately before IP Completion Day as read with any modifications set out in the Act.
Relevant Quarter Year	means a quarter in a Regulatory Year, where a quarter is a continuous period of three calendar months and where q=1 is the period Between 1 April and 30 June, q=2 is the period Between 1 July and 30 September, q=3 is the period Between 1 October and 31 December and q=4 is the period Between 1 January and 31 March (each inclusive).
Relevant Shipper	has the meaning given to the term in Standard Special Condition A3, except that, for the purposes of Special Condition 6.2 (Gas conveyed to Independent Systems) only, means a Gas Shipper that has made arrangements with the DN Operator that

	operates the LDZ in which that Independent System is situated under which LNG or LPG is to be transported to consumers at the premises.
Relevant SO Special Conditions	means Special Condition 2.3 (System operator revenue restriction), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 2.3 to which a Disapplication Request under Special Condition 9.6 65 (Disapplication of Relevant Special Conditions) relates.
Relevant Supplier	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Relevant System Management Services	means System Management Services other than: <ul style="list-style-type: none"> (a) those that the licensee has acquired through an Eligible Balancing Action (if that trade was not made pursuant to any prior agreement); and (b) those that the Authority directs the licensee not to treat as Relevant System Management Services.
Relevant TO Special Conditions	means Special Condition 2.1 (Transportation owner revenue restriction), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 2.1 to which a Disapplication Request under Special Condition 9.6 65 (Disapplication of Relevant Special Conditions) relates.
Relevant Valuation Agency	means: <ul style="list-style-type: none"> (a) the Valuation Office Agency in England and Wales; and (b) the Scottish Assessors Association in Scotland.
<u>Resilience Activity</u>	<u>means an activity undertaken by the licensee in response to changes to engineering standards, climate resilience, resilience standards, or emergency protocols and as</u>

result of changes in UK Government policy, including:

- (a) recommendations made by the ISOP and endorsed by UK Government ; or
- (b) actions arising from the National Risk Register that impact the licensee's network and relate to:
 - i. System Failures; or
 - ii. Natural and Environmental Hazards, and other risks requiring resilience measures, where mandated the UK government to maintain security of supply or protect critical national infrastructure.

Re-opener

means the mechanisms created by:

- (a) Special Conditions 3.5, 3.8, 3.9, 3.14 and 3.17; and
- (a) ~~Parts C and D~~ Special Conditions 3.4 (Small Decarbonisation Projects Re-opener (SDP_t)), 3.7 (Digitalisation Re-opener (DIG_t)), 3.8 (Coordinated adjustment mechanism Re-opener (CAM_t)), 3.12 (Asset health Re-opener (AH_t)), 3.14 (Pipeline Diversions Re-opener (QL_t and PD_t)), 3.19 (Gas Strategic Planning Re-opener (GSPR_t)), 3.20 (Office, gas national control centre and emergency control room relocation Re-opener (GNCCRE_t)), 3.21 (Network capability Re-opener (NC_t)), 3.22 (Bacton enhanced filtration Re-opener (BEF_t)), and 3.23 (Network decarbonisation and emissions compliance Re-opener (NDCRE_t)); and
- (b) ~~Part C of~~ Special Condition 3.2 (Cyber resilience ~~operational technology Re-opener~~, Price Control Deliverable, cyber resilience Re-opener and Use It Or Lose It adjustment), (CY_t, CYRE_t, CYU_t)), ~~Parts C and C and D of~~ Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable), ~~Parts C and D of~~ Special Condition 3.4 (Resilience Re-opener, physical security

and Price Control Deliverable and Re-opener ($RESRE_t$, $PSUP_t$ and $PSUPRE_t$)), Part C of Special Condition 3.6 (Decarbonisation and Environmental Policy Re-opener and Price Control Deliverable), Part C of Special Condition 3.6 (Net zero Re-opener and Price Control Deliverable), Part C of Special Condition 3.7 (Non-operational IT Capex Re-opener and Price Control Deliverable), Part D of Special Condition 3.10 (Bacton terminal site redevelopment Re-opener and Price Control Deliverable), Part (DEP_t)), Parts C and D of Special Condition 3.11 (Compressor emissions Re-opener and Price Control Deliverable), Part C of Special Condition 3.12 (King's Lynn subsidence Re-opener and Price Control Deliverable) and Part C of Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable). Price Control Deliverable and Re-opener ($FIOC_t$ and $FIOCRE_t$)), and Part C of Special Condition 3.18 (West import resilience project Price Control Deliverable and Re-opener ($WIRP_t$ and $WIRPRO_t$)).

Re-opener Guidance and Application Requirements Document

means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.4 (Re-opener Guidance and Application Requirements Document).

Retail Prices Index

means the monthly values of the “RPI All Items Index”, series ID “CHAW”, published by the Office for National Statistics (or any other public body acquiring its functions).

Returned Project Revenues

means:

(a) revenues received (whether by the licensee or any other Gas Transporter Licensee) under the NIC Funding Mechanism in respect of an Eligible NIC Project that the Authority determines have not been spent, where that Eligible NIC Project has been carried out in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction; or

	(b) revenues earned from Eligible NIC Projects (whether undertaken by the licensee or any other Gas Transporter Licensee) other than Returned Royalty Income that the Authority determines are payable to customers.
Returned Royalty Income	means revenue earned from intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other Gas Transporter Licensee) less Directly Attributable Costs, that is payable to customers under the NIC Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.
RIGs	means the document published by the Authority in accordance with Standard Special Condition A40 (Regulatory Instructions and Guidance).
<u>RIIO-2 NIA</u>	<u>means the arrangements established by Special Condition 5.2 (RIIO-2 Network Innovation Allowance) of this licence as in force on 31 March 2024.</u>
<u>RIIO-1 Justified Material Over-delivery</u> <u>NIA Governance Document</u>	<u>means the delivery of a higher level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that higher level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.</u> <u>means the document issued by the Authority in accordance with Part C of Special Condition 5.2 (RIIO-2 Network Innovation Allowance) of this licence as in force on 31 March 2026.</u>
<u>RIIO-1 Justified Material Under-delivery</u> <u>RIIO-3 NIA Governance Document</u>	<u>means the delivery of a lower level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that lower level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.</u> <u>means the document issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-3 Network Innovation Allowance).</u>

<u>RIIO-1 Materially Equivalent Output³ NIA Projects</u>	<u>means an equivalent level of risk to a RIIO-1 Network Output. means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-3 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of Special Condition 5.2 (RIIO-3 Network Innovation Allowance).</u>
<u>RPEs</u>	<u>has the meaning given to the term “Real Price Effects” in Chapter 5 of the GT32 Price Control Financial Handbook.</u>
<u>RIIO-1 Network Innovation Allowance</u>	<u>means the arrangements established by Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021.</u>
<u>RIIO-1 Network Output</u>	<u>means the network replacement outputs as set out in Table 1 of Special Condition 7E (Specification of Network Replacement Outputs) of this licence as in effect on 31 March 2021.</u>
<u>RIIO-1 NIA Governance Document</u>	<u>means the document issued by the Authority in accordance with Part E of Special Condition 2E (The Network Innovation Allowance) as in force on 31 March 2021.</u>
<u>RIIO-1 NOMs Principles</u>	<u>means the principles set out in Chapter 2 of the document titled “Network Output Measures (NOMs) Incentive Methodology” published by the Authority on 6 December 2018.</u>
<u>RIIO-2 Final Determinations</u>	<u>means the documents published by the Authority on 8 December 2020 (and subsequently updated on 3 February 2021) setting out the Authority's decisions in relation to the Price Control Period.</u>
<u>RIIO-2 NIA Governance Document</u>	<u>means the document issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-2 Network Innovation Allowance).</u>
<u>RIIO-2 NIA Projects</u>	<u>means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-2 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of Special Condition 5.2 (RIIO-2 Network Innovation Allowance).</u>

RHO-GT1	means the price control that applied to the licensee for the period of eight Regulatory Years beginning on 1 April 2013.
RHO-GT1 Bad Debt	means the Bad Debt incurred during RHO-GT1.
RHO-GT1 SO Bad Debt RPEs	means the SO Bad Debt incurred during RHO-GT1. has the meaning given to the term "Real Price Effects" in Appendix 1 to the GT2 Price Control Financial Handbook.
Senior Accounting Officer	has the meaning given to that term in Schedule 46 to the Finance Act 2009, as amended from time to time.
Short IL <u>Senior Accounting Officer Certificate (SAO2)</u>	means work necessary to undertake an In-Line Inspection of a section of the pipeline system to which this licence relates where the length of pipeline concerned is 10km or less requires one or more Maintenance Plan Days. <u>means the certificate provided to H.M. Revenue and Customs by the Senior Accounting Officer of the Licensee in accordance with Schedule 46 to the Finance Act 2009. This document may be redacted to remove details of entities other than the Licensee.</u>
Short Cycle Storage Facility	means a Storage Facility which regularly utilises its capability both to withdraw and inject gas into the facility on the same Day.
Shortfall Direction	means: <ul style="list-style-type: none"> (a) in relation to energy administration, a direction issued by the Secretary of State for the purpose of meeting any "relevant debt", within the meaning of section 169(4) of the Energy Act 2004; (b) in relation to energy supply company administration, a direction issued by the Secretary of State for the purpose of meeting any "relevant debt" within the meaning of section 99(4) of the Energy Act 2011; or (c) in relation to smart meter communication licensee administration, a direction issued by the Secretary of State for the purpose of meeting any "relevant debt" within the meaning of section 7(4) of the Smart Meters Act 2018 (including any modifications to such a direction made by

	any subsequent Shortfall Direction and any Shortfall Direction replacing a previous Shortfall Direction).
Shortfall Payment Recipients	means the persons to whom a payment is to be made under paragraph 9.15.4 of Special Condition 9.15 (NTS shortfall contribution obligations).
Shoulder Months	means the months of October, November, February and March.
Shrinkage Procurement Report	means a report produced by the licensee pursuant to part K of Special Condition 5.6 (System operator external incentives, revenues and costs).
SIF Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible SIF Projects, whether undertaken by the licensee or any other Gas Transporter Licensee, or the ISOP that have not been otherwise remunerated by NTS Transportation Owner Charges, Directly Remunerated Services or the SIF Funding Mechanism.
SIF Disallowed Expenditure	means a project undertaken by the licensee or any other Gas Transporter Licensee or the ISOP that the Authority assess as satisfying such requirements of the SIF Governance Document as are necessary to enable the project to be funded under the SIF Funding Mechanism.
SIF Funding	means the total amount of funding authorised by the Authority for the licensee, other Gas Transporter Licensees, the ISOP, and any body administering the SIF, in accordance with the provisions of the SIF Governance Document, for the purpose of funding the administration of the SIF and Eligible SIF Projects.
SIF Funding Mechanism	means the mechanism by which the licensee recovers the amount of authorised SIF Funding in any Regulatory Year and apportions that amount between the licensee, other Gas Transporter Licensees, the ISOP, and any body administering the SIF as appropriate

	in accordance with the SIF Governance Document.
SIF Funding Return	means the total amount, in respect of the licensee, other Gas Transporter Licensees, the ISOP, and any body administering the SIF, of any amounts arising under the SIF Funding Return Mechanism.
SIF Funding Return Mechanism	<p>means the mechanism which provides for the recovery from the licensee, from other Gas Transporter Licensees, the ISOP and any body administering the SIF, in each case to such extent (if any) as may be relevant, of:</p> <ul style="list-style-type: none"> (a) SIF Halted Project Revenues; (b) SIF Disallowed Expenditure; (c) SIF Returned Royalty Income; (d) SIF Returned Project Revenues; and (e) funds for administering the SIF.
SIF Governance Document	means the document issued by the Authority under Part C of Special Condition 5.7 (The Strategic Innovation Fund)
SIF Halted Project Revenues	means revenues received, whether by the licensee or any other Gas Transporter Licensee, or the ISOP, under the SIF Funding Mechanism in respect of an Eligible SIF Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction.
SIF Project Direction	means a direction issued by the Authority pursuant to the SIF Governance Document setting out the terms to be followed in relation to an Eligible SIF Project as a condition of its funding under the SIF Funding Mechanism.
SIF Returned Project Revenues	<p>means:</p> <ul style="list-style-type: none"> (a) revenues received, whether by the licensee or any other Gas Transporter Licensee or the ISOP, under the SIF Funding Mechanism in respect of an Eligible SIF Project

that the Authority determines have not been spent, and where that project has been carried out in accordance with the applicable provisions of the SIF Governance Document and/or the terms of the relevant SIF Project Direction; or

(b) revenues earned from an Eligible SIF Project, whether undertaken by the licensee or any other Gas Transporter Licensee or the ISOP, other than SIF Returned Royalty Income that the Authority determines are payable to customers.

SIF Returned Royalty Income

means revenue earned from intellectual property generated through Eligible SIF Projects, whether undertaken by the licensee or any other Gas Transporter Licensee or the ISOP, less SIF Directly Attributable Costs, and that is payable to customers under the SIF Funding Mechanism, as calculated in accordance with the provisions of the SIF Governance Document.

Significant Interaction

means a direct interaction with a customer via telephone, virtual or face-to-face meetings, or email threads i.e. an interaction that is not transactional or automated. These interactions will usually involve solving a query, the provision of information or documents, or a much lengthier ongoing interaction with the customer.

Single-year Monetised Risk

means the Monetised Risk measured over a given one-year time period.

Small Net Zero Projects Decarbonisation Project

means a project that: (a) is within the scope of paragraphs 3.6.6 (84.4) (a) to (d) of Special Condition 3.6 (Net zero 84 (Small Decarbonisation Projects Re-opener)); and

(c) Price Control Deliverable); and (b) the cost of which is less than exceeds £1m but does not exceed £100m.

Small Decarbonisation Projects Re-opener Governance Document

means the document issued by the Authority in accordance with Part B of Special Condition

3.8 (Small Decarbonisation Projects Re-opener).

SO Actual Corporation Tax Liability

means the proportion of the value as shown in the licensee's company tax return (CT600) as submitted to His Majesty's Revenue and Customs, relating to the licensee's NTS System Operation Activities: after removing the impact of any group or consortium relief.

SO Allowed Revenue

is the amount the licensee should aim to recover through its NTS System Operation Charges, derived in accordance with the formula in Part C of Special Condition 2.3 (System operator revenue restriction).

SO Bad Debt

means the expense incurred by the licensee when NTS System Operation Charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded, and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.

SO Calculated Revenue

has the value given to SOR_t in Part ~~E~~DE of Special Condition 2.3 (System operator revenue restriction).

SO Calculated Tax Allowance

means the value of the $SOTAXA_t$ term as set out in the "Revenue SO" sheet of the ~~GT2~~GT3 Price Control Financial Model relating to the licensee's NTS System Operation Activities.

SO Crossover Adjustment Term

has the meaning set out in Special Condition 3.28 (GT2/GT3 crossover adjustment ($GT2ACA_t$ and $SOGT2ACA_t$)).

SO Recovered Revenue

has the value given to $SORR_t$ in accordance with Part B of Special Condition 2.3 (System operator revenue restriction).

SO Recovered Revenue Billed Basis

has the meaning given to that term in Part B of Special Condition 2.3 (System operator revenue restriction) inclusive of SO Bad Debt as defined Part H of Special Condition 2.3 (System operator revenue restriction).

SONIA

means the daily values of the sterling overnight index average, series ID "IUDSOIA",

~~published by the Bank of England (or any other public body acquiring its functions).~~

SO Target Revenue

is based on SO Allowed Revenue as apportioned in accordance with the applicable charging methodology in paragraph 1.6 of Section Y of the Uniform Network Code Transportation Principal Document.

Statutory Network Security Standard

has the meaning given to the term “Gas Security Standard” in Standard Special Condition A9 (Pipe-line System Security Standards).

~~Storage Capacity Notice~~

~~means a monthly storage capacity statement provided by a Storage Facility operator to the licensee from time to time, detailing on the first day of each month m of year y:~~

~~(d) the physical capacity of the Short Cycle Storage Facility under the operation of the relevant Storage Facility operator;~~

~~(e) the capacity of the Short Cycle Storage Facility allocated to system users (excluding Operating Margins);~~

~~(f) the quantity of un-booked capacity at the Short Cycle Storage Facility;~~

~~(g) the projected available capacity for the period up until the subsequent submitted Storage Capacity Notice, including the projected total physical deliverability and injectability for the period; and~~

~~(h) any details of non/reduced availability for the period up until the subsequent submitted Storage Capacity Notice.~~

Storage Connection Agreement

has the meaning given to that term in the Uniform Network Code.

Storage Facility

has the meaning given to that term in the Uniform Network Code.

Storage Year

has the meaning given to that term in the Uniform Network Code.

Strategic Innovation Fund (SIF)

means the strategic innovation fund established by Special Condition 5.7 (The strategic innovation fund).

Strategic Planning Options Proposal	means the document prepared by the licensee in accordance with Part B of Special Condition 9.10 (Licensee's network planning).
Supply Meter Installation	has the meaning given to that term in the Network Code.
Supply Of NTS Services	<p>means the undertaking and performance for gain and reward of engagements:</p> <ul style="list-style-type: none"> (a) in connection with the conveyance of gas through the NTS other than engagements in connection with activities within the definition of the NTS System Operation Activity; (b) for the prevention of the escape of gas, which has been taken off the NTS, other than to the Distribution Network or any pipeline system operated by a person holding a gas transporter's licence or who is exempted from holding such a licence which but for such pipeline not being operated by the licensee, would fall within the definition of the Distribution Network; and (c) for the provision of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity.
System Average Price	has the meaning given to that term in the Uniform Network Code.
<u>System Clearing Contract Failures</u>	<p>has the meaning given to that term in the Uniform Network Code. means failures as described in the National Risk Register, including failure of the National Electricity Transmission System (NETS), regional electricity network failure, failure of gas supply infrastructure, simultaneous loss of fixed and mobile communications, loss of positioning, navigation and timing services.</p>
System Entry Overrun Charges	has the meaning given to that term in the Uniform Network Code.
<u>System Failures</u>	<p>means failures, or potential failures, as described in the National Risk Register, including failure of the National Electricity Transmission System (NETS), regional electricity network failure, failure of the NTS.</p>

	<u>failure of gas supply infrastructure, simultaneous loss of fixed and mobile communications, loss of positioning, navigation and timing services.</u>
System Management Principles Statement	means a statement of that name established in accordance with Part C and revised in accordance with Part D of Special Condition 9.19 18 (System Management Services).
System Management Services	means services in relation to the balancing of gas inputs to and gas offtakes from the NTS and includes Eligible Balancing Actions and Eligible Balancing Action derivatives and Constraint Management services.
System Management Services Adjustment Methodology <u>Target Revenue</u>	means a methodology of that name established in accordance with Part E and revised in accordance with Part F of Special Condition 9.19 (System Management Services). <u>is based on Allowed Revenue as apportioned in accordance with the applicable charging methodology in paragraph 1.6 of Section Y of the Uniform Network Code Transportation Principal Document.</u>
<u>Tax Reconciliation</u>	<u>means the reconciliation between:</u> <u>(a) the licensee's TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability; and</u> <u>(b) the licensee's SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability</u> <u>(c) as reported to the Authority in tab R8a of the Regulatory Financial Performance Reporting RIGS template</u>
<u>Tax Strategy</u>	<u>has the meaning given to that term in Schedule 19 to the Finance Act 2016, as amended from time to time. This may be the Tax Strategy of the wider UK corporate group, of which the licensee is a member.</u>
<u>Time Value of Money Adjustment</u>	<u>has the meaning given to that term in the glossary of the GT3 Price Control Financial Handbook.</u>
System Marginal Buy Price	has the meaning given to that term in the Uniform Network Code.

System Marginal Sell Price	has the meaning given to that term in the Uniform Network Code.
Tariff Capped Metering Activities	means those activities provided by the licensee listed in paragraph 3 of Special Condition 9.16 (Restriction of prices in respect of Tariff Capped Metering Activities).
Tax Reconciliation	means the reconciliation between: <ul style="list-style-type: none"> (a) the licensee's TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability; and (b) the licensee's SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability (c) as reported to the Authority as part of the GT2 Price Control Financial Model.
Tax Strategy	has the meaning given to that term in Schedule 19 to the Finance Act 2016, as amended from time to time.
Time Value of Money Adjustment	has the meaning given to that term in the glossary of the GT2 Price Control Financial Handbook.
TO Actual Corporation Tax Liability	means the proportion of the value as shown in the licensee's company tax return (CT600) as submitted to His Majesty's Revenue and Customs, relating to the licensee's NTS Transportation Owner Activities.
TO Calculated Tax Allowance	means the value of the TAX _t term as set out the "Revenue <u>TO</u> " sheet of the GT2 GT3 Price Control Financial Model in relation to NTS Transportation Owner Activity, <u>after removing the impact of any group or consortium relief.</u>
<u>TO Crossover Adjustment Term</u>	<u>has the meaning set out in Special Condition 3.28 (GT2/GT3 crossover adjustment (GT2ACA_t and SOGT2ACA_t)).</u>
TO Recovered Revenue	has the value given to RR _t in accordance with Part B of Special Condition 2.1 (Transportation owner revenue restriction).
<u>TO Recovered Revenue Billed Basis</u>	<u>has the meaning given to that term in Part B of Special Condition 2.1 (Transporter owner revenue restriction) inclusive of Bad Debt as</u>

defined Part I of Special Condition 2.1
(Transporter owner revenue restriction).

Total NIA Expenditure

means expenditure that satisfies the requirements of the RIIIO-23 NIA Governance Document and is partly recovered by the licensee under Part A of Special Condition 5.2 (RIIO-23 Network Innovation Allowance).

Totex Allowance

means the sum of values under the heading ~~"Totex allowance"~~ headings "Variant Totex allowances" and "Non-variant allowances" in the ~~"Input" sheet~~ "NGT_TO Input" and "NGT_SO" sheets of the GT2GT3 Price Control Financial Model.

Totex Incentive Mechanism

means the mechanism within the ~~GT2GT3~~ Price Control Financial Model which provides for the licensee to bear a specified share of any overspend, or retain a specified share of any underspend, represented in either case by a difference between:

- (a) the licensee's Totex Allowance; and
- (b) the licensee's actual totex expenditure.

Totex Incentive Strength

has the value of 39%.

Transmission Planning Code

means the document maintained by the licensee in accordance with Special Condition 9.11 (Transmission Planning Code).

Transportation Arrangements

has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).

Transportation Business

has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).

Transportation Charges

has the meaning given to that term in the Uniform Network Code.

Transportation Constraints

has the meaning given to that term in the Uniform Network Code.

Transportation System

has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).

UAG

is unaccounted for gas and means the amount of gas (GWh) that remains unaccounted for after the Entry Close-out Date following the

	assessment of NTS Shrinkage performed in accordance with the Uniform Network Code.
UAG Projects	means the projects currently undertaken by the licensee including: <ul style="list-style-type: none"> (a) the witnessing by the licensee of the validation of Measurement Equipment at NTS System Entry Points or Supply Meter Installations at NTS Exit Points; and (b) investigation and analysis of data in order to seek to identify causes of UAG.
UAGCVS Report	means a report required under Part J of Special Condition 5.6 (System operator external incentives, revenues and costs).
UK Link Gemini	has the meaning given to that term in the Uniform Network Code.
Uncertain Costs	means: <ul style="list-style-type: none"> (a) Quarry and Loss Development Claim Costs; and/or (b) Pipeline Diversion Costs.
Uniform Network Code	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).
Use It Or Lose It Adjustment	means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to: <ul style="list-style-type: none"> (a) improving cyber resilience in relation to <u>IT or OT</u>, including risk reduction or improved status of the licensee's network and information systems with respect to CAF Outcomes <u>and NIS Regulation 10 (1), (2), (3), and (4) addressing the licensee's stated needs to maintain or improve its cyber resilience with respect to the relevant NCSC CAF Contributing Outcomes, in relation to Special Condition 3.2</u> (Cyber resilience operational technology Re-opener, Price Control Deliverable and; (use it or lose it adjustment); or (CYUt)); (b) <u>developing projects in preparation for Re-openers in relation to in line with</u> Special Condition 3.5 (Net Zero And Re-opener <u>Decarbonisation Project Development Fund</u> Use it or Lose it allowance) <u>and the Decarbonisation</u>

Project Development UIOLI Governance Document which will not exceed the allowance provided:

- (b)(c) facilitating a Biomethane Connection onto the NTS in relation to Special Condition 3.15 (Biomethane use it or lose it allowance) (BIOC_t):
- (d) funding essential repairs and maintenance works on Compressors in relation to Special Condition 3.16 (Compressor Breakdown use it or lose it allowance (CBD_t).

which will not exceed the allowance provided.

User

has the meaning given to that term in the Network Code.

Valves

~~means the valves and related systems, including actuators, seals and vents, that control and isolate the flow of gas at the St Fergus gas terminal.~~

Valve Operations

means the work necessary to undertake an inspection of valves on the pipeline system to which this licence relates or any part or parts of it.

Very Large Daily Metered Consumers WACC

has the meaning given to that term in the Uniform Network Code. means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the GT3 Price Control Financial Handbook.

WACC

means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the GT2 Price Control Financial Handbook.

Zero Licence Baseline Entry Capacity Point

means a NTS Entry Point, which is not contained within Appendix 1 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) at which there is zero Licence Baseline Entry Capacity allocated and which, as a result, does not give rise to any funding allowance.

Zero Licence Baseline Exit Capacity Point

means a NTS Exit Point, which is not contained within Appendix 2 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) at which there is zero Licence Baseline Exit Capacity allocated and

which, as a result, does not give rise to any baseline funding allowance.

Special Condition 1.2 Variations to the standard special conditions for the purposes of this licence

Introduction

- 1.2.1 The purpose of this licence condition is to vary the standard special conditions in their application for the purposes of this licence.

Part A: Modifications

- 1.2.2 For the purposes of this licence the following standard special conditions are to be read in accordance with the following table:

Standard Special Condition	Provision	Modification
A3 (Definitions and Interpretation)	Sub-paragraph (c)(i) of the definition of “supply of transportation services”	Substitute “(c)(i) facilitating balancing management; and”.
Standard Special Condition A4 (Charging – General)	Paragraph 1(a)	After the words “specified descriptions of gas shippers” insert the words “and/or DN operators as appropriate”.
Standard Special Condition A4 (Charging – General)	Paragraph 2	<p>For the words “NOT USED” substitute the following at sub-paragraphs (a) and (b):</p> <p>“(a) use its reasonable endeavours:</p> <ul style="list-style-type: none">i. not to make any changes to the charges or reserve prices mentioned in paragraph 1 more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may direct; andii. not to make any changes to charges or reserve prices in

relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) more frequently than once in each formula year and for such changes to take place on 1 October in each formula year or at such other time as the Authority may direct;

(b) subject to sub-paragraph (a) above, if the licensee makes changes to the charges or reserve prices mentioned in paragraph 1 on dates other than those specified in paragraph (a)(i) and (a)(ii), inform the Authority in writing as soon as is reasonably practicable after the decision is made to make such a change to charges, and, in any event, not later than three months after the charge change has been implemented:

- i. stating the reasons for this change; and
- ii. clearly identifying whether any of the information provided as part of the statement of reasons for the change is of a confidential nature”.

Standard
Special
Condition A5
(Obligations as
Regard
Charging
Methodology)

Paragraph
2A(b)

For the words “NOT USED” substitute:

“(b) use its reasonable endeavours:

- i. not to make any changes to the charging methodology more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may direct; and
- ii. only to make changes to the charging methodology in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) on 1 October in each formula year or at such other time as the Authority may direct”.

Chapter 2: Revenue restriction

Special Condition 2.1 Transportation owner revenue restriction (AR_t)

Introduction

- 2.1.1 The purpose of this condition is to ~~ensure that place obligations on the licensee in relation to the setting of~~ NTS Transportation Owner Charges ~~are set to aim to recover no more than Allowed Revenue.~~
- 2.1.2 This condition also provides the formulae for the calculation of ~~the term~~ Allowed Revenue (AR_t ~~(the Allowed Revenue term)~~) and RR_t ~~(the TO Recovered Revenue term)~~ (RR_t).

Part A: Licensee's obligation when setting NTS Transportation Owner Charges

- 2.1.3 The licensee must, when setting NTS Transportation Owner Charges, use its best endeavours to ensure that TO Recovered Revenue ~~does not exceed Allowed Revenue unless paragraph 2.1.4 applies~~ equals Target Revenue.

This paragraph applies Where Target Revenue does not equal Allowed Revenue, ~~where:~~

- (a) ~~the licensee~~ deliberately over-recovers TO Recovered Revenue as a result of the applicable charging methodology in the Uniform Network Code; and

- 2.1.4 ~~the~~ must seek consent from the Authority has provided its consent to for ~~such an over-recovery or under-recovery.~~

- 2.1.5 The published or republished ~~values~~ value for the ~~terms~~ ADJR_t and term AR_t must be used as directed in the Uniform Network Code, TPD Section Y (Charging Methodologies), Part A (NTS charging methodologies) by the licensee when setting ~~Network~~ NTS Transportation Owner Charges.

- 2.1.6 The licensee must, when calculating the value of Allowed Revenue, use the latest versions of the GT3 Price Control Financial Model and the GT3 Price Control Financial Handbook published by the Authority under Special Condition 8.1 (Governance of the GT3 Price Control Financial Instruments).

- 2.1.7 At the same time that it publishes the final notices for Transportation Charges to recover TO Allowed Revenue, the licensee must also publish the following on its website:

- (a) a copy of the GT3 Price Control Financial Model containing the value of Allowed Revenue it used when calculating the Target Revenue value used to set the relevant Transportation Charges; and

(b) the value of Target Revenue used to set the relevant Transportation Charges (along with the calculation of Target Revenue.)

2.1.8 The licensee must ensure that each copy of the GT3 Price Control Financial Model remains on its website for at least five years.

Part B: Formula for calculating the TO Recovered Revenue term (RR_t)

~~2.1.6~~2.1.9 The value of RR_t is derived in accordance with the following formula, ~~net of Bad Debt as derived in accordance with Part I:~~

$$RR_t = TOREntC_t + TORExC_t + TORCOM_t - BD_t$$

—where:

$TOREntC_t$ means the amount of revenue in respect of NTS Transportation Owner Activity that results from the sale of the following types of Entry Capacity:

- (a) Interruptible Entry Capacity;
- (b) Non-Incremental Obligated Entry Capacity; and
- (c) Funded Incremental Obligated Entry Capacity;

$TORExC_t$ means the amount of revenue in respect of NTS Transportation Owner Activity that results from the sale of the following types of Exit Capacity:

- (a) Off-Peak Exit Capacity;
- (b) Non-Incremental Obligated Exit Capacity; and
- (c) Funded Incremental Obligated Exit Capacity; ~~and~~

$TORCOM_t$ means the amount of revenue in respect of NTS Transportation Owner Activity that results from:

- (a) charges levied by the licensee on Gas Shippers and DN Operators pursuant to Standard Special Condition A4 (Charging – General); and
- (b) payments made by the licensee to Gas Shippers and DN Operators other than revenue earned by the licensee through $TOREntC_t$ and $TORExC_t$.

BD_t means the Bad Debt term and is derived in accordance with Part H of this condition.

Part C: Formula for calculating the Allowed Revenue term (AR_t)

~~2.1.7~~2.1.10 The value of AR_t is derived in accordance with the following formula:

$$AR_t = \cancel{ADJR_t^*} + \cancel{K_t} R_t \times \frac{PI_t}{PI_{2023/24}} + K_t + FP_t + LAR_t$$

where:

R_t means Calculated Revenue and is derived in accordance with Part D;

PI_t means the price index term and is derived in accordance with Part E;

$PI_{2023/24}$ means the price index term for the Regulatory Year commencing on 1 April 2023 and is derived in accordance with Part E;

K_t means the K correction term and is derived in accordance with Part F; and

FP_t means the forecasting penalty and is derived in accordance with Part G; and

LAR_t means the legacy adjustment term and is derived in accordance with Special Condition 7.1 (Transportation owner legacy adjustments).

—————where:

$ADJR_t^*$ means $ADJR_t$ most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the start of Regulatory Year t ;

K_t means the K correction term and is derived in accordance with Part H; and

LAR_t is derived in accordance with Special Condition 7.1 (Transportation owner legacy adjustments).

Part D: Formula for calculating Adjusted Revenue ($ADJR_t$)

2.1.8 — The value of $ADJR_t$ is derived in accordance with the following formula:

$$ADJR_t = R_t \frac{PI_t}{PI_{2018/19}} + ADJ_t$$

—————where:

R_t means the Calculated Revenue term (R_t) calculated in accordance with Paragraph 2.1.9 of this condition;

PI_t means the price index term derived in accordance with Part F; and

ADJ_t means the transportation owner AIP adjustment term and is derived in accordance with Part G.

~~Part E:~~Part D: Formula for calculating the Calculated Revenue term (R_t)

~~2.1.9~~2.1.11 — The value of R_t is derived in accordance with the following formula:

$$R_t = FM_t + PT_t + DPN_t + RTN_t + RTNA_t + EIC_t + DRS_t + BPI_t + ODI_t + ORA_t + TAX_t + TAXA_t + RPA_t$$

where:

FM_t	means fast money and has the value set out in the “Revenue <u>TO</u> ” sheet of the <u>GT2GT3</u> Price Control Financial Model;
PT_t	<u>means the pass-through items term and</u> is derived in accordance with Special Condition 6.1 (Transportation owner pass-through items);
DPN_t	means <u>RAV depreciation</u> and has the value set out in the “Revenue <u>TO</u> ” sheet of the <u>GT2GT3</u> Price Control Financial Model;
RTN_t	means return and has the value set out in the “Revenue <u>TO</u> ” sheet of the <u>GT2GT3</u> Price Control Financial Model;
$RTNA_t$	means return adjustment and is derived in accordance with Special Condition 2.5 (Return Adjustment);
EIC_t	means <u>the allowance for equity issuance costs</u> and has the value set out in the “Revenue <u>TO</u> ” sheet of the <u>GT2GT3</u> Price Control Financial Model;
DRS_t	means Directly Remunerated Services and has the value set out in the “Revenue <u>TO</u> ” sheet of the <u>GT2GT3</u> Price Control Financial Model;
ODI_t	is derived in accordance with Special Condition 4.1 (Total output delivery incentive performance);
BPI_t	means the business plan incentive term and has the value set out in the “Revenue <u>TO</u> ” sheet of the <u>GT2GT3</u> Price Control Financial Model;
ODI_t	<u>means the total output delivery incentive term and is derived in accordance with Special Condition 4.1 (Total output delivery incentive performance);</u>
ORA_t	<u>means total other allowed revenue allowances and</u> is derived in accordance with Special Condition 5.1 (Transportation owner other revenue allowance);
TAX_t	<u>means the tax allowance and</u> has the value set out in the “Revenue <u>TO</u> ” sheet of the <u>GT2GT3</u> Price Control Financial Model <u>and is further described in Chapter 6 of the GT3 Price Control Financial Handbook; and</u>
$TAXA_t$	means the tax allowance adjustment term and has the value zero, unless the Authority directs otherwise underin <u>accordance with</u> Special Condition 2.2 (Transportation owner tax allowance adjustment).
RPA_t	<u>means the revenue profiling adjustment, has the value set out in the “Revenue” sheet of the GT3 Price Control Financial Model and may be adjusted by the licensee with agreement from the Authority.</u>

Part F: ~~Part E:~~ Formula for calculating the price index term (PI_t)

~~2.1.10~~**2.1.12** The value of PI_t is the arithmetic average value of each of the ~~twelvemonthly~~twelve-monthly values of PI_m from 1 April to 31 March within Regulatory Year t, derived in accordance with the following formula:

$$PI_m = \begin{cases} RPI_m, & \text{if } m < \text{April 2021} \\ PI_{m-1} \left(0.5 \frac{CPIH_m}{CPIH_{m-1}} + 0.5 \frac{RPI_m}{RPI_{m-1}} \right), & \text{if } m = \text{April 2021} \\ PI_{m-1} \cdot \frac{CPIH_m}{CPIH_{m-1}}, & \text{if } m > \text{April 2021} \end{cases} PI_{m-1} \\ \times \frac{CPIH_m}{CPIH_{m-1}}$$

where:

m m refers to a year and month; and

RPI_m means the Retail Prices Index for the year and month m; and

CPIH_m CPIH_m means the Consumer Prices Index Including Owner Occupiers' Housing Costs for the year and month m.

Part G: ~~Transportation owner AIP adjustment term (ADJ_t)~~

~~2.1.11~~ For the Regulatory Year commencing on 1 April 2021, the value of ADJ is zero.

~~2.1.12~~ For subsequent Regulatory Years, the value of ADJ_t is derived in accordance with the following formula:

$$ADJ_t = (ADJR_{t-1} - ADJR_{t-1}^*)(1 + TVM_{t-1})$$

~~where:~~

~~ADJ_t~~ is derived in accordance with Part D;

~~ADJ_t^{*}~~ means ADJ_t most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the start of Regulatory Year t; and

~~TVM_t~~ means the time value of money term derived in accordance with paragraph 2.1.13.

~~2.1.13~~ The value of TVM_t is derived in accordance with the following formula:

$$TVM_t = (1 + WACC_t) \frac{PI_{t+1}}{PI_t} - 1$$

~~where:~~

~~WACC_t~~ means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the GT2 Price Control Financial Handbook; and

PI_t means the price index term derived in accordance with Part F.

Part H: ~~Part F:~~ Transportation owner correction term (K_t)

2.1.13 For Regulatory Years commencing prior to or on 1 April 2026, the value of K_t is zero.

2.1.14 For Regulatory Years commencing after 1 April 2026, the value of K_t is derived in accordance with the following formula:

$$K_t = (AR_{t-1} - RR_{t-1})(1 + I_{t-1} + 1.15\% + PRP_{t-1} \times PRA_{t-1}^{nom} WACC_{t-1})$$

where:

AR_t means Allowed Revenue. For Regulatory Years commencing on or after 1 April 2026 AR_t is derived in accordance with Part C;

RR_t means TO Recovered Revenue and is derived in accordance with Part B; and,

$^{nom} WACC_t$ means the nominal weighted average cost of capital and has the value set out in the "**Allowed Revenue TO AR**" sheet of the GT3 Price Control Financial Model.

~~where:~~

~~AR_t for Regulatory Years starting on or after 1 April 2021 is derived in accordance with Part C. For the Regulatory Year starting on 1 April 2020 AR_t has the value of MR_t derived in accordance with Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021;~~

~~RR_t means TO Recovered Revenue derived in accordance with Part B;~~

~~I_t means the average value of SONIA;~~

~~PRP_t means the penal rate proportion and has the value of 1, unless the Authority has directed a value between 0 and 1 in accordance with paragraph 2.1.16; and~~

~~PRA_t means the penal rate adjustment, derived in accordance with paragraph 2.1.15.~~

2.1.15 The value of $PRA_t K_t$ is in nominal prices.

Part G: Forecasting penalty (FP_t)

2.1.16 For Regulatory Years commencing prior to 1 April 2028, the value of FP_t is zero.

2.1.152.1.17 For Regulatory Years commencing on or after 1 April 2028, the value of FP_t is derived in accordance with the following formula:

$$PRA_t = \begin{cases} 1.15\% & \text{if } RR_t/AR_t \geq 1.06 \\ -1.15\% & \text{if } RR_t/AR_t \leq 0.94 \\ 0, & \text{otherwise} \end{cases}$$

$$FP_t = BRFP_t + RRFp_t$$

where:

RR_t is derived in accordance with Part B; and

AR_t is derived in accordance with Part C.

$BRFP_t$ means the base revenue forecasting penalty and is derived in accordance with paragraph 2.1.178; and

$RRFP_t$ means the Recovered Revenue forecasting penalty and is derived in accordance with paragraph 2.1.204.

2.1.18 The value of $BRFP_t$ is derived in accordance with the following formula:

$$BRFP_t = (BR_{t-1} - BR_{t-1}^*) \times \frac{PI_{t-1}}{PI_{2023/24}} \times BRFPA_{t-1} \times \begin{cases} 1.15\% & \text{if } BR_{t-1}^*/BR_{t-1} \geq 1.06 \\ -1.15\% & \text{if } BR_{t-1}^*/BR_{t-1} \leq 0.94 \\ 0, & \text{otherwise} \end{cases}$$

where:

BR_t means the sum of the terms FM_t , DPN_t , RTN_t and PT_t set out in Part D;

BR_t^* means the sum of the terms FM_t , DPN_t , RTN_t , PT_t set out in Part D, as at the time they were published for Regulatory Year t by the licensee in accordance with paragraph 2.1.67; and

$BRFPA_t$ means the penalty adjustment and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.1.189

~~2.1.16~~2.1.19 The Authority ~~may~~will, following discussion with the licensee, direct a value for ~~PRP_t~~ $BRFPA_t$ which is not less than zero and not more than 1, if it is satisfied that ~~the differences~~differences between ~~TO Recovered Revenue~~the values of BR_t and Allowed Revenue is BR_t^* were for reasons outside the reasonable control of the licensee.

~~Part I: Part A: Formula for calculating the Bad Debt term (BD_t)~~

2.1.20 ~~2.1.15~~ For the avoidance of doubt, differences between the values of BR_t and BR_t^* that are due to the effect of inflation will be disregarded for the purposes of the penalty.

~~2.1.17~~2.1.21 The value of ~~BD_t~~ $RRFP_t$ is derived in accordance with the following formula:

$$RRFP_t = (RR_{t-1} - TR_{t-1}^*) \times RRFPA_{t-1} \times \begin{cases} 1.15\% & \text{if } TR_{t-1}^*/RR_{t-1} \geq 1.06 \\ -1.15\% & \text{if } TR_{t-1}^*/RR_{t-1} \leq 0.94 \\ 0, & \text{otherwise} \end{cases}$$

where:

RR_t means Recovered Revenue as set out in Part B;

TR_t^{*} means the value of Target Revenue published by the licensee in accordance with paragraph 2.1.67; and

RRFPA_t means the penalty adjustment and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.1.212.

2.1.22 The Authority will, following discussion with the licensee, direct a value for RRFPA_t which is not less than zero and not more than 1, if it is satisfied that the difference between the values of RR_t and TR_t^{*} is for reasons outside the reasonable control of the licensee.

2.1.23 Before making a direction under paragraphs 2.1.189 or 2.1.212 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

2.1.24 Where the Authority is satisfied that differences between the values of RR_t and TR_t^{*} or BR_t and BR_t^{*} were for reasons outside the reasonable control of the licensee, the Authority may will use reasonable endeavours to issue a direction under paragraph 2.1.189 or under paragraph 2.1.212 before the licensee has finalised the calculation of Allowed Revenue for Regulatory Year t+1.

2.1.25 The value of FP_t is in nominal prices.

Part H: Formula for calculating the Bad Debt term (BD_t)

2.1.26 The value of BD_t is derived in accordance with the following formula:

$$BD_t = BDA_{t-1} - RBD_t$$

where:

$$BD_t = BDA_{t-1} - RBD_t$$

~~where:~~

BDA_{t-1} means the aggregate value of Bad Debt the licensee has incurred or expects to incur, inclusive of RHO-GT1 Bad Debt and COVID-19 Transportation Owner Bad Debt, with respect to NTS

~~Transportation Owner Charges owed to the licensee by one or more Defaulting Gas Shippers, less the interest income accrued at the default rate set out in the Uniform Network Code net of WACC with respect to the COVID-19 Scheme; and~~

~~RBD_₣~~ means the aggregate value of Bad Debt previously recovered, inclusive of RHO-GT1 Bad Debt and COVID-19 Transportation Owner Bad Debt, by the licensee via the BDA_t term, where the licensee has received cash through either the Defaulting Gas Shipper or been credited by the administrator or liquidator of a Defaulting Gas Shipper.

- BDA_t means the value of Bad Debt the licensee has incurred or expects to incur, inclusive of COVID-19 Transportation Owner Bad Debt, with respect to NTS Transportation Owner Charges owed to the licensee by one or more Defaulting Gas Shippers, less the interest income accrued at the default rate set out in the Uniform Network Code net of nomWACC with respect to the COVID-19 Scheme; and
- RBD_t means the value of Bad Debt previously recovered, inclusive of COVID-19 Transportation Owner Bad Debt, by the licensee via the BDA_t term, where the licensee has been paid by the Defaulting Gas Shipper or been credited by the administrator or liquidator of a Defaulting Gas Shipper.

Special Condition 2.2 Transportation owner tax allowance adjustment ($TAXA_t$)

Introduction

- 2.2.1 The purpose of this condition is to establish a process for setting the value of the term $TAXA_t$ (the tax allowance adjustment term), which contributes to Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 2.2.2 The effect is to adjust Calculated Revenue, if required following a review of ~~material, unexplained differences between~~ the licensee's TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability, in accordance with Chapter 6 of the ~~GT2GT3~~ Price Control Financial Handbook.
- 2.2.3 This condition also explains the process the Authority will follow when directing any change in the value of $TAXA_t$ as a result of the tax review.
- ~~2.2.31.1.1 This condition also explains the process the Authority will follow when directing any change as a result of the tax review.~~

Part A: Undertaking a tax review

- 2.2.4 The Authority may undertake a tax review ~~of any material, unexplained differences between the licensee's TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability~~ in accordance with Chapter 6 of the ~~GT2GT3~~ Price Control Financial Handbook.
- 2.2.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and gives the reasons for that decision, the licensee ~~must~~ Authority may procure the services of an Appropriately Qualified Independent Examiner to carry out the a formal tax review in accordance with Chapter 6 of the ~~RHO~~ GT3 Price Control Financial Handbook and provide its written findings to the Authority within a reasonable time frame. Where the Authority has procured the services of an Appropriately Qualified Independent Examiner, the licensee must:

- (a) ~~procure and provide the Authority and the~~ Appropriately Qualified Independent Examiner with access to any relevant information that they may require to examine the differences between the licensee's ~~licensee's~~ TO Calculated Tax Allowance and its TO Actual Corporation Tax Liability; and ~~send a report to the Authority;~~
- ~~(b) carry out any reasonable steps specified by the Authority for such a procurement and comply with any requirements reasonably specified by the Authority as to the terms of appointment of the~~ or the Appropriately Qualified Independent Examiner;
- ~~(c)(b) ensure that for the purposes of the~~ Appropriately Qualified Independent Examiner ~~carries out the work within the scope, and by the date, reasonably specified by the Authority after discussing with the examiner; and~~ tax review.
- ~~(d) send to the Authority a report from the~~ Appropriately Qualified Independent Examiner ~~in the form, and containing the content, specified by the Authority, following discussion with the examiner.~~

2.2.6 — Following receipt completion of the Appropriately Qualified Independent Examiner's report, review the Authority will:

- ~~(a) may direct any~~ an adjustment to the value of the TAXA_t term ~~that it considers should be made taking account of the report if required,~~ in accordance with Chapter 6 of the ~~GT2GT3~~ Price Control Financial Handbook; and

2.2.7 2.2.6 ~~specify~~ specifying the Regulatory Years to which that adjustment relates.

Part B: What The process will the Authority follow in for making a direction?

2.2.8 2.2.7 Before making a direction under paragraph 2.2.6, the Authority will must send to the licensee and publish on the Authority's website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- ~~(a) the text of the proposed direction;~~
- ~~(b)(a) the reasons for the proposed direction; and~~
- (c) ~~a~~ a statement setting out the period during which representations on the proposed direction may be made, which will not be less than up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 2.3 System operator revenue restriction (SOAR_t)

Introduction

Special Condition 2.3~~Special Condition 1.1~~ System operator revenue restriction (SOAR_t)

Introduction

- 2.3.1 The purpose of this condition is to ~~ensure that~~place obligations on the licensee in relation to the setting of NTS System Operation Charges~~are set to aim to recover no more than SO Allowed Revenue.~~
- 2.3.2 This condition also provides the formulae for the calculation of ~~the term~~ SORR_t (the SO SO Allowed Revenue (SOAR_t) and Recovered Revenue term and ~~the term~~ SOAR_t (the SO Allowed Revenue term (SORR_t).

Part A: Licensee's obligation when setting NTS System Operation Charges

- 2.3.3 The licensee must, when setting NTS System Operation Charges, use its best endeavours to ensure that SO Recovered Revenue ~~does not exceed~~equals SO Allowed ~~Target~~ Revenue.

This paragraph applies ~~Where~~where:

- (a) ~~The licensee deliberately over-recovers~~ SO Recovered Target Revenue as a result of does not equal SO Allowed Revenue, the applicable charging methodology in the Uniform Network Code; and
- 2.3.4 ~~The licensee must seek consent from the Authority~~ has provided its consent to for such an over-recovery, or under-recovery.
- 2.3.5 The published or republished ~~values~~value for the ~~terms~~ SOADJR_t and term SOAR_t must be used as directed in the Uniform Network Code, TPD Section Y (Charging Methodologies), Part A (NTS charging methodologies) by the licensee when setting ~~Network~~NTS System Operation Charges.
- 2.3.6 The licensee must, when calculating the value of SO Allowed Revenue, use the latest versions of the GT3 Price Control Financial Model and the GT3 Price Control Financial Handbook published by the Authority under Special Condition 8.1 (Governance of the GT3 Price Control Financial Instruments).
- 2.3.7 At the same time that it publishes the final notices for Transportation Charges to recover SO Allowed Revenue, the licensee must also publish the following on its website:
- (a) a copy of the GT3 Price Control Financial Model containing the value of SO Allowed Revenue it used when calculating the SO Target Revenue used to set the relevant Transportation Charges; and
- (b) the value of SO Target Revenue used to set the relevant Transportation Charges and the calculation of SO Target Revenue.
- 2.3.8 The licensee must ensure each copy of the GT3 Price Control Financial Model remains on its website for at least five years.

Part B: Formula for calculating the SO Recovered Revenue term (SORR_t)

~~2.3.6~~2.3.9 The value of SORR_t is derived in accordance with the following formula,
~~net of SO Bad Debt as derived in accordance with Part H:~~

$$SORR_t = SOREntC_t + SORExC_t + RCOM_t + SOROC_t - SOBD_t$$

where:

SOREntC_t means the amount of revenue in respect of NTS System Operation Activity that results from the sale of Non-Obligated Entry Capacity;

SORExC_t means the amount of revenue in respect of NTS System Operation Activity that results from the sale of Non-Obligated Exit Capacity;

RCOM_t means the amount of revenue in respect of NTS System Operation Activity that results from charges levied by the licensee on Gas Shippers and DN Operators pursuant to Standard Special Condition A4 (Charging – General) in respect of NTS System Operation Activity. This ~~will include~~includes revenue from charges to recover costs incurred by the licensee and net payments made to or by the licensee in respect of reducing the costs arising from NTS System Operation Activity other than revenue earned by the licensee through:

- (a) *SOREntC_t*;
- (b) *SORExC_t*;
- (c) *SOROC_t*; and
- (d) revenues received by the licensee from the sale of gas purchased by the licensee in respect of its use of Constrained Storage Facilities in order to avoid Transportation Constraints; and

SOROC_t means the amount of revenue derived by the licensee through associated NTS System Operation Charges and is derived in accordance with the following formula:

$$SOROC_t = RNC_t + RCOR_t + FTI_t + RLOC_t + RADD_t$$

where:

RNC_t means net revenue derived by the licensee from Balancing Neutrality Charges;

RCOR_t means the revenue derived by the licensee from System Entry Overrun Charges;

FTI_t	means the revenue derived by the licensee from charges levied on Gas Shippers and DN Operators in respect of any Failure To Interrupt;
$RLOC_t$	means the revenue derived by the licensee from Locational Sell Actions and Physical Renomination Incentive Charges; and
$RADD_t$	has the meaning given in paragraph 5.5.5 of Special Condition 5.5 (Entry Capacity and Exit Capacity Constraint Management); <u>and</u>
$SOBD_t$	<u>means the SO Bad Debt term and is derived in accordance with Part G of this condition.</u>

Part C: Formula for calculating the SO Allowed Revenue term (SOAR_t)

~~2.3.7~~2.3.10 The value of SOAR_t is derived in accordance with the following formula:

$$SOAR_t = SOADJR_{\epsilon}^* + SOK_{\epsilon}SOR_t \times \frac{PI_t}{PI_{2023/24}} + SOK_t + SOFP_t + SOLAR_t$$

where:

$SOADJR_{\epsilon}^*$	means the value of SOADJR _ε most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the start of Regulatory Year t;
SOK_{ϵ}	means the SO K-correction term and is derived in accordance with Part G; and
$SOLAR_{\epsilon}$	is derived in accordance with Special Condition 7.10 (System operator legacy adjustments).

Part D: Formula for calculating the SO Adjusted Revenue term (SOADJR_t)

~~2.3.8~~ The value of SOADJR_ε is derived in accordance with the following formula

$$SOADJR_{\epsilon} = SOR_{\epsilon} \frac{PI_{\epsilon}}{PI_{2018/19}} + SOADJ_{\epsilon}$$

where:

SOR_t	<u>means SO Calculated Revenue and is derived in accordance with Part D;</u>
PI_t	<u>means the price index term and is derived in accordance with Part E of Special Condition 2.1 (Transportation oOwner rRevenue rRestriction);</u>
$PI_{2023/24}$	<u>means the price index term for the Regulatory Year commencing on 1 April 2023 and is derived in accordance with Part E of Special Condition 2.1 (Transportation oOwner rRevenue rRestriction);</u>

SOK_t means the SO K correction term and is derived in accordance with Part E; and

$SOFP_t$ means the forecasting penalty and is derived in accordance with Part F; and

$SOLAR_t$ means the SO legacy adjustment term and is derived in accordance with Special Condition 7.5 (System operator legacy adjustments).

~~where:~~

SOR_t means the SO Calculated Revenue term (SOR_t) calculated in accordance with paragraph 2.3.9 of this condition;

PI_t means the price index term derived in accordance with Part F of Special Condition 2.1; and

$SOADJ_t$ means the SO AIP adjustment term and is derived in accordance with Part F.

~~Part E:~~Part D: Formula for calculating the SO Calculated Revenue term (SOR_t)

~~2.3.9~~2.3.11 The value of SOR_t is derived in accordance with the following formula:

$$SOR_t = SOFM_t + SOPT_t + SODPN_t + SORTN_t + SOORA_t + SOTAX_t + SOTAXA_t$$

where:

$SOFM_t$ means fast money and has the value set out in the “Revenue SO System Operator” sheet of the ~~GT2~~GT3 Price Control Financial Model;

$SOPT_t$ means the pass-through items term and is derived in accordance with Special Condition 6.3 (System operator pass-through items);

$SODPN_t$ means RAV depreciation and has the value set out in the “Revenue SO System Operator” sheet of the ~~GT2~~GT3 Price Control Financial Model;

$SORTN_t$ means return and has the value set out in the “Revenue SO System Operator” sheet of the ~~GT2~~GT3 Price Control Financial Model;

$SOORA_t$ means total SO other allowed revenue allowances and is derived in accordance with Special Condition 5.4 (System operator other revenue allowance);

$SOTAX_t$ has the value set out in the “Revenue SO System Operator” sheet of the ~~GT2~~GT3 Price Control Financial Model; and

$SOTAXA_t$ means the SO tax allowance adjustment term and has the value zero unless the Authority directs otherwise ~~under~~in accordance with Special Condition 2.4 (System operator tax allowance adjustment).

Part F: ~~SO AIP adjustment term (SOADJ_t)~~

~~2.3.10 For the Regulatory Year commencing on 1 April 2021, the value of SOADJ is zero.~~

~~2.3.11 For subsequent Regulatory Years, the value of SOADJ_t is derived in accordance with the following formula:~~

$$\text{SOADJ}_t = (\text{SOADJR}_{t-1} - \text{SOADJR}_{t-1}^*)(1 + \text{TVM}_{t-1})$$

~~where:~~

~~SOADJR_t is derived in accordance with Part D;~~

~~SOADJR_t^{*} means the value of SOADJR_t most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the start of Regulatory Year t; and~~

~~TVM_t is derived in accordance with paragraph 2.1.13 of Special Condition 2.1 (Transportation owner revenue restriction).~~

Part G:~~Part E:~~ SO K correction term (SOK_t)

2.3.12 For the Regulatory Years commencing prior to or on 1 April 2026, the value of SOK_t is zero.

2.3.122.3.13 For Regulatory Years commencing after 1 April 2026, the value of SOK_t is derived in accordance with the following formula:

$$\text{SOK}_t = (\text{SOAR}_{t-1} - \text{SORR}_{t-1})(1 + I_{t-1} + 1.15\% + \text{SOPRP}_{t-1} \times \text{SOPRA}_{t-1})(1 + \text{nomWACC}_{t-1})$$

where:

~~SOAR_t for Regulatory Years commencing on or after 1 April 20212026 SOAR_t is derived in accordance with Part C. For the Regulatory Year commencing on 1 April 2020 SOAR_t has the value of SOMR_t derived in accordance with Part C of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021;~~

~~SORR_t means SO Recovered Revenue and derived in accordance with Part B; and~~

~~I_t means the average value of SONIA in Regulatory Year t;~~

~~SOPRP_t means the penal rate proportionnominal weighted average cost of capital and has the value of 1, unless set out in the "AllowedRevenue_SO System Operator" sheet of the Authority directs otherwise in accordance with paragraph 2.3.14; andGT3 Price Control Financial Model.~~

~~SOPRA_t means the SO penal rate adjustment, derived in accordance with paragraph 2.3.13.~~

2.3.14 The value of SOPRA_tSOK_t is in nominal prices.

Part F: System Operator Forecasting penalty (SOF_t)

2.3.15 For Regulatory Years commencing prior to 1 April 2028, the value of SOF_t is zero.

2.3.132.3.16 For Regulatory Years commencing on or after 1 April 2028, the value of SOF_t is derived in accordance with the following formula:

$$\text{SOF}_t = \text{SOBRFP}_t + \text{SORRFP}_t$$

where:

SOBRFP_t means the base revenue forecasting penalty and is derived in accordance with paragraph 2.3.167; and

SORRFP_t means the Recovered Revenue forecasting penalty and is derived in accordance with paragraph 2.3.1920.

2.3.17 The value of SOBRFP_t is derived in accordance with the following formula:

$$\text{SOBRFP}_t = (\text{SOBR}_{t-1} - \text{SOBR}_{t-1}^*) \times \frac{PI_{t-1}}{PI_{2023/24}} \times \text{SOBRFPA}_{t-1} \\ \times \begin{cases} 1.15\% & \text{if } \text{SOBR}_{t-1}^* / \text{SOBR}_{t-1} \geq 1.12 \\ -1.15\% & \text{if } \text{SOBR}_{t-1}^* / \text{SOBR}_{t-1} \leq 0.88 \\ 0, & \text{otherwise} \end{cases}$$

where:

$$\text{SOPRA}_t = \begin{cases} 1.15\% & \text{if } \text{SORR}_t / \text{SOAR}_t \geq 1.06 \\ -1.15\% & \text{if } \text{SORR}_t / \text{SOAR}_t \leq 0.94 \\ 0, & \text{otherwise} \end{cases}$$

SOBR_t means the sum of the terms SOFM_t, SODPN_t, SORTN_t and SOPT_t as set out in Part D;

SOBR_t^{*} means the sum of the terms SOFM_t, SODPN_t, SORTN_t and SOPT_t set out in Part D, as at the time they were published for Regulatory Year t by the licensee in accordance with paragraph 2.3.67; and

SOBRFPA_t means the penalty adjustment and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.3.178.

2.3.18 The Authority will, following discussion with the licensee, direct a value for SOBRFPA_t which is not less than zero and not more than 1, if it is satisfied that differences between the values of SOBR_t and SOBR_t^{*} were for reasons outside the reasonable control of the licensee.

2.3.19 For the avoidance of doubt, differences between the values of SOBR_t and SOBR_t^{*} that are due to the effect of inflation will be disregarded for the purposes of the penalty.

2.3.20 The value of SORRFP_t is derived in accordance with the following formula:

$$SORRFP_t = (SORR_{t-1} - SOTR_{t-1}^*) \times SORRFPA_{t-1} \times \begin{cases} 1.15\% & \text{if } SOTR_{t-1}^*/SORR_{t-1} \geq 1.06 \\ -1.15\% & \text{if } SOTR_{t-1}^*/SORR_{t-1} \leq 0.94 \\ 0, & \text{otherwise} \end{cases}$$

where:

SORR_t means Recovered Revenue as set out in Part B;

~~SORR_t~~SOTR_t^{*} ~~is derived~~ means the value of Target Revenue published by the licensee in accordance with ~~Part B~~ paragraph 2.3.67; and

~~SOAR_t~~SORRFPA_t ~~is derived~~ means the penalty adjustment and has the value of 1, unless the Authority directs otherwise in accordance with ~~Part C~~ paragraph 2.3.204.

~~2.3.21~~ The Authority will following discussion with the licensee, direct a value for ~~SOPRP_t~~SORRFPA_t which is not less than zero and not more than 1, if it is satisfied that the difference between SORR_t and SOTR^{*} is for reasons outside the reasonable control of the licensee.

~~2.3.22~~ Before making a direction under paragraphs 2.3.178 and 2.3.204 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

~~2.3.14~~2.3.23 Where the Authority is satisfied that differences between ~~SO Recovered Revenue and SO Allowed Revenue~~ the values of SORR_t and SOTR_t^{*} or SOBR_t and SOBR_t^{*} were for reasons outside the reasonable control of the licensee, the Authority may will use reasonable endeavours to issue a direction under ~~2.1.1~~ 78 or 2.3.204 before the licensee has finalised the calculation of SO Allowed Revenue for Regulatory Year t+1.

~~2.3.24~~ The value of SOFP_t is in nominal prices.

~~Part H:~~Part G: Formula for calculating the System Operator Bad Debt term (SOBD_t)

~~2.3.15~~2.3.25 ~~2.3.13~~ The value of SOBD_t is derived in accordance with the following formula:

$$\del{SOBD_t}SOBD_t = SOBDA_t - SORBD_t$$

where:

$SOBDA_t$ means the ~~aggregate~~ value of SO Bad Debt the licensee has incurred or expects to incur, inclusive of ~~RHO-GT1 SO Bad Debt~~ and COVID-19 System Operator Bad Debt, with respect to NTS System Operation Charges owed to the licensee by one or more Defaulting Gas Shippers, less the interest income accrued at the default rate set out in the Uniform Network Code net of ~~WACC~~nomWACC with respect to the COVID-19 Scheme; and

~~$SORBD_t$~~ $SORBD_t$ means the ~~aggregate~~ value of SO Bad Debt previously recovered, inclusive of ~~RHO-GT1 SO Bad Debt~~ and COVID-19 System Operator Bad Debt, by the licensee via the $SOBDA_t$ term, where the licensee has been ~~credited~~paid by the administrator or liquidator of a Defaulting Gas Shipper.

Special Condition 2.4 System operator tax allowance adjustment ($SOTAXA_t$)

Introduction

- 2.4.1 The purpose of this condition is to establish a process for setting the value of the term $SOTAXA_t$ (the ~~SO~~-tax allowance adjustment term), which contributes to SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).
- 2.4.2 The effect is to adjust SO Calculated Revenue, if required, following a review of ~~material, unexplained differences between~~ the licensee's SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability, in accordance with Chapter 6 of the ~~GT2~~GT3 Price Control Financial Handbook.
- ~~2.4.3 It also explains the process the Authority will follow when directing any change as a result of the tax review.~~
- 2.4.3 This condition also explains the process the Authority will follow when directing any change as a result of the tax review.

Part A: Undertaking a tax review

- 2.4.4 The Authority may undertake a tax review ~~of any material, unexplained differences between the licensee's SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability~~, in accordance with Chapter 6 of the ~~GT2~~GT3 Price Control Financial Handbook.
- ~~2.4.5 Where the Authority notifies the licensee that it has decided to undertake a~~ formal tax review and ~~gives~~gives the reasons for that decision, the licensee ~~must:~~
- (a) Authority may procure the services of an Appropriately Qualified Independent Examiner to ~~examine the differences between the licensee's~~

SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability and submit carry out the a report formal tax review in accordance with Chapter 6 of the RHO-GT3 Price Control Financial Handbook and provide its written findings to the Authority;

2.4.62.4.5 carry out any within a reasonable steps specified by time frame. Where the Authority for such a procurement and comply with any requirements reasonably specified by the Authority as to has procured the terms of appointments services of the an Appropriately Qualified Independent Examiner; the licensee must:

- (a) ensure that provide the Authority and the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, reasonably specified by the Authority after discussing with the examiner; and access to any relevant information that they may require to examine the differences between the licensee's SO Calculated Tax Allowance and its SO Actual Corporation Tax Liability; and
- (b) send to carry out any reasonable steps specified by the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority, following discussion with the examiner for the purposes of the tax review.

2.4.7—Following receipt of the Appropriately Qualified Independent Examiner's report, written findings completion of the review the Authority will:

- (a) may direct any an adjustment to the value of the SOTAXA_t term that it considers should be made taking account of the report if required, in accordance with Chapter 6 of the GT2GT3 Price Control Financial Handbook; and

2.4.82.4.6 specify specifying the Regulatory Years to which that adjustment relates.

Part B: What The process will the Authority follow in for making a direction?

2.4.92.4.7 Before making a direction under paragraph 2.4.6, the Authority will must send to the licensee and publish on the Authority's website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (a) the text of the proposed direction;
- (b)(a) the reasons for the proposed direction; and
- (c) a statement setting out the period during which representations on the proposed direction may be made, which will not be less than up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 2.5 Return Adjustment (RTNA_t)

Introduction

- 2.5.1 The purpose of this condition is to calculate the term RTNA_t (the return adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 2.5.2 The effect of this condition is to adjust ~~the TO~~ Calculated Revenue following a review of Operational Performance after the Price Control Period.
- 2.5.3 It also explains the process the Authority will follow when directing any change as a result of the review.

Part A: Undertaking a review of Operational Performance

- 2.5.4 After the Price Control Period, the Authority will undertake a review of Operational Performance.
- 2.5.5 Following its review, the Authority will direct any adjustment to the value of the term RTNA_t in accordance with the method set out in Parts B and C and any further applicable explanation or elaboration within the ~~GT2~~GT3 Price Control Financial Handbook.

Part B: Formulae for calculating the return adjustment term (RTNA_t)

- 2.5.6 The value of RTNA_t is derived in accordance with the following formula:

$$RTNA_t = RTNR \times \frac{RAVL_t \times (1-G)}{\sum_{t=2021/22}^{2025/26} RA VL_t \times (1-G)} \frac{RAVL_t \times (1-G)}{\sum_{t=2026/27}^{2030/31} RA VL_t \times (1-G)}$$

where:

RTNR means the return adjustment for the licensee over the Price Control Period, derived in accordance with paragraphs 2.5.7 and 2.5.8;

RAVL_t means the RAV value for the licensee and has the value derived in accordance with the ~~GT2~~GT3 Price Control Financial Model; and

G means notional gearing, and has the value of 60%.

- 2.5.7 Where Operational Performance is equal to or greater than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \frac{\sum_{t=2021/22}^{2025/26} RA VL_t \times (1-G)}{\sum_{t=2026/27}^{2030/31} RA VL_t \times (1-G)}$$

$$RTNR = \sum_{t=2026/27}^{2030/31} RA VL_t \times (1-G) \times$$

$$\frac{\sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G) \times [-MAX(MIN(OPP, T2) - T1, 0) \times AR1 - MAX(OPP - T2, 0) \times AR2]}{\sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G) \times [MAX(MIN(-OPP, T2) - T1, 0) \times AR1 + MAX(-OPP - T2, 0) \times AR2]}$$

where:

$RAVL_t$ means the RAV value for the licensee and has the value derived in accordance with the ~~GT2~~GT3 Price Control Financial Model;

G means notional gearing, and has the value of 60%;

OPP means the Operational Performance value for the licensee, in percentage terms, over the Price Control Period and has the value derived in accordance with the ~~GT2~~GT3 Price Control Financial Model;

$T1$ means threshold 1, and has the value of 3%;

$T2$ means threshold 2, and has the value of 4%;

$AR1$ means adjustment rate 1, and has the value of 50%; and

$AR2$ means adjustment rate 2, and has the value of 90%.

2.5.8 When Operational Performance is less than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \frac{\sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G) \times [MAX(MIN(-OPP, T2) - T1, 0) \times AR1 + MAX(-OPP - T2, 0) \times AR2]}{\sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G) \times [MAX(MIN(-OPP, T2) - T1, 0) \times AR1 + MAX(-OPP - T2, 0) \times AR2]}$$

$$\frac{\sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G) \times [MAX(MIN(-OPP, T2) - T1, 0) \times AR1 + MAX(-OPP - T2, 0) \times AR2]}{\sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G) \times [MAX(MIN(-OPP, T2) - T1, 0) \times AR1 + MAX(-OPP - T2, 0) \times AR2]}$$

$$\frac{\sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G) \times [MAX(MIN(-OPP, T2) - T1, 0) \times AR1 + MAX(-OPP - T2, 0) \times AR2]}{\sum_{t=2021/22}^{2025/26} RAVL_t \times (1 - G) \times [MAX(MIN(-OPP, T2) - T1, 0) \times AR1 + MAX(-OPP - T2, 0) \times AR2]}$$

where each term has the meaning given in paragraph 2.5.7.

Part C: ~~What~~The process will the Authority follow in~~for~~ making a direction?

2.5.9 Before making a direction under paragraph 2.5.5, 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 on the proposed direction may be made, which will ~~not be less than 28 days~~ be up to 28 days unless the Authority determines that a longer period is appropriate.

2.5.10 A direction under paragraph 2.5.5 will set out the value of the $RTNA_t$ term and the Regulatory Years to which ~~that~~the adjustment relates.

Chapter 3: Totex Allowance adjustments

Special Condition 3.1 Baseline Network Risk Outputs (NARM_t and NARMAH_t)

Introduction

- 3.1.1 This condition ~~calculates~~specifies the value of the ~~term~~term NARM_t (the Baseline Allowed NARM Expenditure term~~),~~ and NARMAH_t (NARM asset health Re-opener term~~),~~ which ~~contributes~~contribute to the calculation of the Totex Allowance.
- 3.1.2 The purpose of this condition is to:
- (a) set out the Baseline Network Risk Outputs that the licensee is funded to deliver;
 - (b) provide for a mechanism to adjust funding and for the application of a penalty in certain circumstances;
 - (c) provide for the Rebased of Baseline Network Risk Outputs; and
 - (d) require the licensee to provide a close out report.
- 3.1.3 This condition also establishes:
- (a) the NARM Handbook;
 - (b) the Network Asset Risk Workbook; and
 - (c) a robust and transparent change control framework for those documents.

Part A: Formulae for calculating the Baseline Allowed NARM Expenditure term (NARM_t) and the NARM asset health Re-opener term (NARMAH_t)

- 3.1.4 The value of NARM_t is derived in accordance with the following formula:

$$NARM_t = NARMA_t - NARMR_t$$

where:

~~where:~~

- NARMA_t* means the Baseline Allowed NARM Expenditure in Appendix 1; and
- NARMR_t* has the value zero unless adjusted by the Authority under section 23 of the Act and in accordance with Part B.

- 3.1.5 The value of NARMAH_t is derived in accordance with the following formula:

$$NARMAH_t = NARMAHO_t - NARMAHR_t$$

where:

NARMAHO_t means the sum of allowances directed by the Authority in accordance with paragraphs 3.14.12.4(b), 3.14.12.8(b) and 3.14.9.12.10(b) of Special Condition 3.14.12 (Asset health Re-opener); and

NARMAHR_t has the value zero unless adjusted by the Authority in accordance with Part B and under section 23 of the Act and in accordance with Part B.

Part B: Requirement to deliver Baseline Network Risk Outputs

- 3.1.6 The licensee is funded to deliver, by the end of the Price Control Period, its Baseline Network Risk Outputs as set out in Appendix 1.
- 3.1.7 Where the Outturn Network Risk Outputs are different to the Baseline Network Risk Outputs, any funding adjustments and penalties will be calculated by the Authority in accordance with the NARM Handbook and using the data in the Network Asset Risk Workbook.

Part C: Rebasing of Baseline Network Risk Outputs

- 3.1.8 The ~~licensees~~licensee must, when submitting Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2 (Network Asset Risk Metric methodology), ensure that the Rebased Baseline Network Risk Outputs are:
- (a) calculated using the NARM Methodology approved under paragraph 9.2.98 of Special Condition 9.2;
 - (b) representative of the same assumed volume and type of intervention for each NARM Asset Category as assumed in the setting of the Baseline Network Risk Outputs;
 - (c) Equally Challenging as the Baseline Network Risk Outputs; and
 - (d) in the same format as the Network Asset Risk Workbook.
- 3.1.9 Where the licensee proposes Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2, the Authority will consider the proposal and by direction:
- (a) approve it, in cases where the Rebased Baseline Network Risk Outputs meet the criteria in paragraph 3.1.8;
 - (b) approve it with adjustments, in cases where the adjustments are necessary to enable the Rebased Baseline Network Risk Outputs to meet the criteria in paragraph 3.1.8; or
 - (c) reject it, in cases where the Rebased Baseline Network Risk Outputs do not meet the criteria set out in paragraph 3.1.8 and the Authority is unable to adjust them to make them satisfy those criteria.
- 3.1.10 Before issuing a direction under paragraph 3.1.9, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;

- (b) the date on which the Authority intends the proposed direction to come into effect;
- (c) the reasons for the proposed direction; and
- (d) a period during which representations may be made on the proposed direction, which will ~~not be less than 28 days~~ be up to 28 days unless the Authority determines that a longer period is appropriate.

3.1.11 Where the Authority approves Rebased Baseline Network Risk Outputs under paragraph 3.1.9(a) or (b):

- (a) the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Outputs for the purposes of this condition; and
- (b) the direction under paragraph 3.1.9(a) or (b) will modify Appendix 1 to reflect this.

Part D: Requirement to provide a ~~close-out~~closeout report

3.1.12 ~~On or before 31 October 2026,~~ The licensee must provide to the Authority a report, together with detailed supporting evidence, ~~which sets~~setting out the ~~following requested information in (a) to (e) below of this condition. The report should be provided on or before 31 October 2026 for RII0-2 and on or before 31 October 2031 for RII0-3. The requested information is:~~

- (a) the licensee's Outturn Network Risk Outputs and a breakdown of those Outturn Network Risk Outputs in the manner specified by the Authority by direction under Standard ~~Special~~ Condition A40 (Regulatory Instructions and Guidance);
- (b) the costs incurred by the licensee in delivering its Outturn Network Risk Outputs and a breakdown of those costs in the manner specified by the Authority by direction under Standard Condition A40 (Regulatory Instructions and Guidance);
- (c) details of any Non-intervention Risk Changes, including the associated impact on Baseline Network Risk Outputs or Outturn Network Risk Outputs;
- (d) justification cases for any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers to be justified; and
- (e) details of any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers qualify as 'clearly identifiable over-delivery' or 'clearly identifiable under-delivery' as per the criteria set out in the NARM Handbook.

Part E: The NARM Handbook

3.1.13 The NARM Handbook forms part of this condition.

3.1.14 The Authority will publish the NARM Handbook on the Authority's Website.

3.1.15 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the

type set out in paragraph 3.1.16 that if made would improve the clarity or usefulness to users of the NARM Handbook.

3.1.16 The following categories of modifications may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, renaming or re-ordering of sections;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions of this licence such as amendments made to Appendix 1 or the Network Asset Risk Workbook;
- (e) correction of manifest errors; and
- (f) changes to the guidance provided by the NARM Handbook.

3.1.17 Before amending the NARM Handbook by direction, the Authority will publish on the Authority's Website:

- (a) the text of the ~~amended~~proposed amendments to the NARM Handbook;
- (b) the date on which the Authority intends the ~~amended~~proposed amendments to the NARM Handbook to come into effect;
- (c) the reasons for the proposed amendments to the NARM Handbook; and
- (d) a period during which representations may be made on the proposed amendments to the NARM Handbook, which will ~~not be less than~~up to 28 days unless the Authority determines that a longer period is appropriate.

3.1.18 The Authority will ensure that any modifications of the NARM Handbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the NARM Handbook maintained on the Authority's Website.

Part F: The Network Asset Risk Workbook

3.1.19 The Network Asset Risk Workbook forms part of this condition.

3.1.20 The Authority will:

- (a) send to the licensee the Network Asset Risk Workbook; and
- (b) publish a redacted version of the Network Asset Risk Workbook on the Authority's Website.

3.1.21 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the type set out in paragraph 3.1.22 that if made would improve the clarity or usefulness to users of the Network Asset Risk Workbook.

3.1.22 The following categories of modifications may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions of this licence such as amendments made to Appendix 1 or the NARM Handbook; and
- (e) correction of manifest errors.

3.1.23 Before amending the Network Asset Risk Workbook by direction, the Authority will publish on the Authority's Website:

- (a) the ~~amended~~ proposed amendments to the Network Asset Risk Workbook;
- (b) the date on which the Authority intends the proposed amended Network Asset Risk Workbook to come into effect;
- (c) the reasons for the proposed amendments to the Network Asset Risk Workbook; and
- (d) a period during which representations may be made on the proposed amendments to the Network Asset Risk Workbook, which will ~~not be less than~~ up to 28 days unless the Authority determines that a longer period is appropriate.

3.1.24 The Authority will:

- (a) ensure that any modifications of the Network Asset Risk Workbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the Network Asset Risk Workbook;
- (b) send the consolidated version to the licensee; and
- (c) maintain a redacted consolidated version on the Authority's Website.

Appendix 1

Cumulative total of Baseline Network Risk Outputs (R£m*) and Baseline Allowed NARM Expenditure (NARM) for delivering Baseline Network Risk Outputs (£m)

Cumulative total of Baseline Network Risk Outputs (R£m*)	<u>Baseline</u>	Baseline	Baseline	Baseline	Baseline	Baseline
	<u>Allowed</u>	Allowed	Allowed	Allowed	Allowed	Allowed
<u>Outputs</u>	<u>NARM</u>	NARM	NARM	NARM	NARM	NARM
<u>Output</u>	<u>Expenditure</u>	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure,
<u>(R£m*)</u>	<u>, excluding</u>	, excluding	, excluding	, excluding	, excluding	excluding
	<u>RPEs (£m)</u>	RPEs (£m)	RPEs (£m)	RPEs (£m)	RPEs (£m)	RPEs (£m)

and Basel
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Allowed
NARM
Expendit
ure (NAR
MA.) for
deliverin
g
Baseline
Network
Risk
Outputs
(£m)
**Baselin
Networ
Risk Out
(R£m)**

200.77

1

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>RIO-3 Total</u>
<u>13,670.7</u>						
<u>TBC</u>	<u>97,276.8</u>	<u>101,00.3</u>	<u>113,670</u>	<u>116,730</u>	<u>146,670</u>	<u>575,342.2</u>

* R£m is the unit used to denote Monetised Risk values.

Special Condition 3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable and Deliverable, cyber resilience Re-opener, and cyber resilience use it or lose it adjustment
(~~CROT_t~~ and ~~CROTRE_t~~)(CY_t, CYRE_t, CYU_t)

Introduction

3.2.1 The purpose of this condition is to calculate the terms ~~CROT_t~~CY_t (the cyber resilience OT baseline Price Control Deliverable term) and ~~CROTRE_t~~, CYRE_t (the cyber resilience OT non-baseline term) Re-opener term) and CYU_t (the cyber resilience use it or lose it allowance). These contribute to the calculation of the Totex Allowance.

3.2.2 The effect of this condition is to:

(a) establish specify in the Cyber Resilience OT Baseline Allowances Table;

(a) establish (in Appendix 1) the Cyber Resilience OT PCD Table, which specifies cyber resilience baseline allowances;

(b) specify the outputs, delivery dates and associated allowances for cyber resilience in relation to OT;

- (c) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience OT PCD Table;
- (d)(b) require the licensee to submit a Cyber Resilience OT Plan at the start of the Price Control Period; Deliverables in the Cyber Resilience PCD Table (in Appendix 2); in the instance of CY_t and CYRE_t.
- (c) establish Re-openers specify the associated allowances for the cyber resilience use it or lose it in the Cyber Resilience UIOLI Allowances Table (in Appendix 4);
- (d) establish that the allowances for UIOLI use it or lose it have achieved the intended cyber resilience in terms of needs;
- (e) establish a Re-opener mechanism for the licensee and the Authority to trigger amendments to the Cyber Resilience OT Baseline Re-opener Allowances Table (in Appendix 3) and the Cyber Resilience OT PCD Table Price Control Deliverables, during the Price Control Period; and
- (f) require the licensee to report regularly to the Authority on cyber resilience OT; and
- (g)(f) provide for an assessment of delivery under this condition, including a Use It Or Lose It Adjustment; and
- (g) provide for an assessment of the Price Control Deliverables.

3.2.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.2.8, paragraphs 3.2.16, or 10, 3.2.11(e), 3.2.12, 3.2.14 and 3.2.15 3.2.11, 3.2.12, 3.2.17 and 3.2.18 Part E and E.

Part A: Formulae for calculating the cyber resilience OT baseline Price Control Deliverable term ($GROT_tCY_t$), the cyber resilience Re-opener term ($CYRE_t$) and the cyber resilience OT non-baseline use it or lose it allowance term ($GROTRE_tCYU_t$)

3.2.4 The value of $GROT_tCY_t$ is derived in accordance with the following formula:

$$CY_t = CYA_t - CYRA_t$$

where:

$$GROT_t = GROTA_t - GROTRA_t$$

where:

- $GROTA_t$ means the allowances in the Cyber Resilience OT Baseline Allowances Table as amended as a result of circumstances set out in paragraph 3.2.11(d)(i); and
- $GROTRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.
- CYA_t has the value set out in the Cyber Resilience Allowances Table (Appendix 1); and

CYRA_t has the value zero unless otherwise directed by the Authority in accordance with paragraph 3.2.16 3.2.17.

3.2.5 The value of ~~CROTRE_t~~ CYRE_t is derived in accordance with the following formula:

$$\text{CROTRE}_t = \text{CROTO}_t - \text{CROTRO}_t$$

$$\text{CYRE}_t = \text{CYO}_t - \text{CYRO}_t$$

where:

CYO_t means ~~has~~ the value set out in the Cyber Resilience Re-opener Allowances Table directed by the Authority as a result of the circumstances set out in paragraph 3.2.9 3.2.10; and

CYRO_t has the value zero unless otherwise directed by the Authority in accordance with paragraph 3.2.16 3.2.17.

3.2.6 The value of CYU_t is derived in accordance with the following formula:

$$\text{CYU}_t = \text{CYAU}_t - \text{CYRAU}_t$$

where:

CYAU_t has the value set out in the Cyber Resilience UIOLI Allowances Table; and

CYRAU_t has the value zero unless otherwise directed by the Authority in accordance with paragraph 3.2.17 3.2.18.

Part B: What is the licensee funded to deliver?

~~CROTO_t~~ means the allowances directed by the Authority as a result of circumstances set out in paragraphs 3.2.11(a) to (c) and (d)(ii); and

~~CROTRO_t~~ has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: Cyber resilience OT outputs

~~3.2.6~~ 3.2.7 The Cyber Resilience-OT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

~~3.2.7~~ 3.2.8 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience OT PCD Table.

Part C: Requirement to submit a The Cyber Resilience OT Plan and Re-opener application

~~3.2.8~~ The licensee must ~~Between 1 April 2021 and 8 April 2021 submit to UIOLI Allowances Table specifies the Authority:~~

~~(a) a Cyber Resilience OT Plan; and~~

~~(b) an application allowances for a direction by the Authority requesting such amendments to the Cyber Resilience OT PCD Table as use it considers are warranted by its Cyber Resilience OT Plan.~~

3.2.9 A Cyber Resilience OT Plan submitted under paragraph 3.2.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving or lose it for cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes projects the licensee is funded to deliver where the associated costs are uncertain.

~~3.2.10~~ An application under paragraph 3.2.8(b) must be made in writing and:

~~(a) include statements:~~

~~i. setting out any amendments requested to the outputs, delivery dates or allowances in the **Cyber** Resilience OT PCD Table;~~

~~ii. explaining how any amendments requested would improve cyber **resilience** in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes; and~~

~~iii. explaining the basis of the calculations for any amendments requested to allowances; and~~

~~(b) provide such detailed supporting evidence as is reasonable in the circumstances.~~

Part D:~~Part C:~~ Cyber resilience OT Re-opener

~~3.2.11~~ 3.2.10 This part establishes a Re-opener for CYO that may be used where there are:

(a) new activities, including new technology, capable of improving cyber resilience ~~in relation to OT~~, including risk reduction and improved status of the licensee's network and information systems with respect to NCSC CAF Contributing Outcomes;

(b) changes to levels of risks or threats relating to cyber resilience ~~in relation to OT~~, that take the licensee outside of its organisational risk appetite; and which require the licensee to undertake significant new activities to address; or

(c) changes to statutory or regulatory requirements ~~relating~~ or guidance to cyber resilience ~~in relation to OT~~; or

~~(d)(c) errors which require the licensee to correct or refinements required undertake significant new activities to:- maintain compliance with the requirements;~~

- ~~i. existing outputs, delivery dates or allowances set as part of RHO-2 Final Determinations; or~~
- ~~ii. other existing outputs, delivery dates or allowances in order to improve the licensee's cyber resilience in relation to OT.~~

~~3.2.123.2.11~~ The licensee may **only** apply to the Authority for **changes a direction amending allowances in the Cyber Resilience Re-opener Allowances Table and the Cyber Resilience PCD Table under this Part C Re-opener** ~~Between 25 January 2023 Bb~~ **etween 1st April 2028 and 31 January 2023, or 8th April 2028, and** during such other periods as the Authority may direct.

~~3.2.133.2.12~~ ~~The Authority may instigated direct changes under this Re-Part C Re-opener at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.2.11. 10.~~

~~3.2.143.2.13~~ An application under paragraph ~~3.2.1210 3.2.11~~ must be made in writing to the Authority and must:

- (a) give details of the circumstances referred to in paragraph ~~3.2.119 3.2.10~~ that the licensee considers exist;
- (b) set out any amendments ~~requested or additions~~ to the outputs, delivery dates or allowances set out in the Cyber Resilience OT Baseline Allowances Table ~~or the Cyber Resilience OT-PCD Table;~~
- (c) explain how any amendments ~~or additions~~ requested would improve cyber resilience ~~in relation to OT~~, including risk reduction and improved status of the licensee's network and information systems with respect to NCSC CAF Contributing Outcomes, **where appropriate;**
- ~~(d)~~ explain the basis of the calculations for any amendments ~~or additions~~ requested to allowances;
- ~~(d)(e)~~ **explain why the proposed allowances are economically efficient;** and
- ~~(e)(f)~~ provide such detailed supporting evidence to support (a) to (e) as is reasonable in the circumstances.

~~3.2.153.2.14~~ An application under paragraph ~~3.2.1210 3.2.11~~ must:

- (a) relate to circumstances of the type referred to in paragraph ~~3.2.11~~ that ~~have developed since 9 3.2.10~~ **which could not have been reasonably provided for on the date** the licensee submitted its Cyber Resilience OT Plan ~~under paragraph 3.2.8;~~
- (b) take account of any allowed expenditure, which can be avoided as a result of the change; and
- (c) be confined to costs incurred or expected to be incurred on or after 1 April ~~2021. 2026.~~

~~3.2.16~~3.2.15 The Authority ~~may~~will only ~~make~~direct changes under this Re-opener by direction Part C where an application is made by the licensee under paragraph 3.2.10:

- (a) ~~where~~whereif a circumstance in paragraph ~~3.2.11~~9 3.2.10 exists; ~~and;~~
- (b) ~~if an application was made by the licensee under paragraph 3.2.12~~10 3.2.11, where the requirements in paragraphs ~~3.2.14~~11 3.2.13 and ~~3.2.15~~12 3.2.14 have been met; ~~;~~
- (c) ~~if~~at any time during the relevant circumstance is that set out in paragraphs 3.2.11(a) or (b), Price Control Period where the addition it has become aware of new outputs would improve the licensee's cyber resilience in relation to OT;
- ~~(c)~~ if the relevant circumstance is that circumstances set out in paragraph 3.2.11(c),9
- ~~(d)~~ The Authority may direct changes to the Cyber Resilience Re-opener Allowances Table and the Cyber Resilience PCD Table at any time during the Price Control Period where the addition it has become aware of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience in relation to OT;
- (e) ~~if the relevant circumstance is that~~ the circumstances set out in paragraph 3.2.11(d), where a change to an existing output is justified:
 - i. ~~—~~ in order to correct an error; or
 - ii. ~~—~~ because the licensee has demonstrated that the refinement would improve the licensee's cyber resilience in relation to OT; and

~~3.2.17~~3.2.16 ~~where there is sufficient detail to demonstrate that the proposed allowances are efficient and the change would improve the licensee's cyber resilience in relation to OT~~9.

~~3.2.18~~3.2.17 A direction under this Part: ~~C:~~

- (a) ~~may adjust~~ will add allowances in the Cyber Resilience OT Baseline ~~Re-opener~~ Allowances Table and the Cyber Resilience PCD Table as a result of circumstances set out in paragraph ~~3.2.11(d)(i);~~9 3.2.10;
- (b) ~~may amend outputs, delivery dates and allowances in the Cyber Resilience OT PCD Table;~~
- ~~(c)~~(b) ~~may modify the text in Appendices 1 and 2~~ Cyber Resilience Re-opener a Allowances ~~Table~~ to amend the date of publication of the documents containing the Cyber Resilience OT Baseline Allowances Table and the Cyber Resilience OT Cyber Resilience Re-opener a Allowances ~~Table~~ and the Cyber Resilience PCD Table;
- ~~(d)~~(c) ~~will set out the value of the CROTA and CROTO terms, where these are being adjusted~~CYO; and

~~(e)(d)~~ must be confined to costs incurred or expected to be incurred on or after ~~1st April 2021~~ 2026.

Part E: ~~Part D:~~ Assessment of delivery under this condition (~~CROTRA_t~~ ~~CYRA_t~~, ~~CYRO_t~~ and ~~CROTRO_t~~) ~~CYRAU_t~~

~~3.2.19~~—The Authority will ~~direct a value for CROTRA_t and CROTRO_t where either of the following is appropriate:~~

~~3.2.20~~ ~~3.2.18~~ ~~an adjustment_t in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for CYRA_t or CYRO_t where the licensee has not Fully Delivered an output in the Cyber Resilience OT-Cyber Resilience PCD Table; or Table.~~

~~(a) a Use It Or Lose It Adjustment, which will be assessed after any assessment under sub-paragraph (a).~~

Part F: Reporting Requirements

~~3.2.19~~ ~~Separately, The Authority will consider directing a value for CYRAU_t where, following a qualitative assessment of the licensee's stated and delivered needs, underpinning the allowance, it considers that a Use It Or Lose It Adjustment is appropriate.~~

Part E: Cyber Resilience PCD Price Control Deliverable Reporting Requirements

~~3.2.21~~ ~~3.2.20~~ The licensee must send reports to the Authority, in a form approved by the Authority, that include:

- ~~(a) a summary of progress against key milestones contained in the licensee's Improvement Plan;~~
- ~~(b) a summary of developments against the outputs in the Cyber Resilience OT-PCD Table; Table;~~
- ~~(c) the licensee's licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;~~
- ~~(d) a description of how the licensee has considered any relevant guidance provided by the Authority;~~
- ~~(e) a summary of the current status of CAF Outcomes; and~~
- ~~(f) detailed supporting evidence as is reasonable in the circumstances.~~

~~3.2.22~~—~~Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.2.19 by no later than the dates, and in relation to the periods, set out in Appendix 3.~~

Part G: What process will the Authority follow in making a direction?

3.2.23 Before making a direction under paragraph 3.2.8, 3.2.16, or 3.2.18 the Authority will send to the licensee:

- ~~(a) the text of the proposed direction;~~
- ~~(b)(a) 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.~~

3.2.24 A direction under paragraph 3.2.218 will set out the value of the CROTRA_t and CROTRO_t term and the Regulatory Years to which those adjustments relate, and where the direction is under paragraph 3.2.18(a) will set out:

- ~~(a) the delivery status of the output that has not been Fully Delivered; and~~
- ~~(b) the methodology and data that has been used to decide the delivery status and value of any adjustments to the CROTRA_t and CROTRO_t terms.~~

~~Appendix 1~~

**~~Title and publication date of document containing the cyber resilience OT
Baseline Allowances Table~~**

Title	Publication Date
National Grid Gas Transmission (NGGT) Cyber Resilience Operational Technology Re-opener Decision	29 October 2021
RH02 – National Gas Cyber Resilience Operational Technology (OT) 2023 Re-opener Decision	25 September 2023

~~Appendix 2~~Appendix 1

**~~Title and publication date of document containing the cyber resilience OT PCD
Table~~**

Title	Publication Date
National Grid Gas Transmission (NGGT) Cyber Resilience Operational Technology Re-opener Decision	29 October 2021
RH02 – National Gas Cyber Resilience Operational Technology (OT) 2023 Re-opener Decision	25 September 2023

Appendix 3

Report submission dates and the associated periods to be reported on

Dates each year by which reports must be submitted from 31 January 2022 to 31 July 2026	Associated periods to be reported on
31 July	1 April to 31 March

Special Condition 3.3 ~~Cyber resilience information technology Re-opener and Price Control Deliverable (CRIT_t and CRITRE_t)~~

Introduction

3.3.1—~~The purpose of this condition is to calculate the terms CRIT_t (the cyber resilience IT baseline term) and CRITRE_t (the cyber resilience IT non-baseline term). These contribute to the calculation of the Totex Allowance.~~

3.3.2—~~The effect of this condition is to:~~

- ~~(a) establish the Cyber Resilience IT Baseline Allowances Table;~~
- ~~(b) establish the Cyber Resilience IT PCD Table, which specifies the outputs, delivery dates and associated allowances for cyber resilience in relation to IT;~~
- ~~(c) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience IT PCD Table;~~
- ~~(d) require the licensee to submit a Cyber Resilience IT Plan at the start of the Price Control Period;~~
- ~~(e) establish Re-openers for the licensee and Authority to trigger amendments to the Cyber Resilience IT Baseline Allowances Table and the Cyber Resilience IT PCD Table during the Price Control Period;~~
- ~~(f) require the licensee to report regularly to the Authority on cyber resilience IT; and~~
- ~~(g) provide for an assessment of the Price Control Deliverable.~~

3.3.3—~~This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.3.8, 3.3.16, or 3.3.18.~~

Part A: Formulae for calculating the cyber resilience IT baseline term (CRIT_t) and the cyber resilience IT non-baseline term (CRITRE_t)

3.3.4—~~The value of CRIT_t is derived in accordance with the following formula:~~

$$CRIT_t = CRITA_t - CRITRA_t$$

~~where:~~

CRITA_t means the allowances in the Cyber Resilience IT Baseline Allowances Table as amended as a result of circumstances set out in paragraph 3.3.11(d)(i); and

CRITRA_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.3.5 — The value of *CRITRE_t* is derived in accordance with the following formula:

$$CRITRE_t = CRITO_t - CRITRO_t$$

— where:

CRITO_t means the allowances directed by the Authority as a result of circumstances set out in paragraphs 3.3.11(a) to (c) and (d)(ii); and

CRITRO_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: Cyber resilience IT outputs

3.3.6 — The Cyber Resilience IT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.3.7 — The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience IT PCD Table.

Part C: Requirement to submit a Cyber Resilience IT Plan and Re-opener application

3.3.8 — The licensee must Between 1 April 2021 and 8 April 2021 submit to the Authority:

(a) a Cyber Resilience IT Plan; and

(b) an application for a direction by the Authority requesting such amendments to the Cyber Resilience IT PCD Table as it considers are warranted by its Cyber Resilience IT Plan.

3.3.9 — A Cyber Resilience IT Plan submitted under paragraph 3.3.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems.

3.3.10 — An application under paragraph 3.3.8(b) must be made in writing and:

(a) include statements:

i. — setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience IT PCD Table;

- ii. ~~explaining how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems; and~~
 - iii. ~~explaining the basis of the calculations for any amendments requested to allowances; and~~
- ~~(b) provide such detailed supporting evidence as is reasonable in the circumstances.~~

Part D: Cyber resilience IT Re-opener

3.3.11 — This Part establishes a Re-opener that may be used where there are:

- ~~(a) new activities, including new technology, capable of improving cyber resilience in relation to IT, including risk reduction in respect to the licensee's network and information systems;~~
- ~~(b) changes to levels of risks or threats relating to cyber resilience in relation to IT, that take the licensee outside of its organisational risk appetite;~~
- ~~(c) changes to statutory or regulatory requirements relating to cyber resilience in relation to IT; or~~
- ~~(d) errors to correct or refinements required to:

 - i. ~~outputs, delivery dates or allowances set as part of RHO-2 Final Determinations; or~~
 - ii. ~~other existing outputs, delivery dates or allowances in order to improve the licensee's cyber resilience in relation to IT.~~~~

~~(e)(a) The licensee may only apply to the Authority for any changes under this Re-opener Between 25 January 2023 and 31 January 2023, or during such other periods as the Authority may direct.~~

3.3.12 — The Authority may instigate changes under this Re-opener at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.3.11.

3.3.13 — An application under paragraph 3.3.12 must be made in writing to the Authority and must:

- ~~(a) give details of the circumstances referred to in paragraph 3.3.11 that the licensee considers exist;~~
- ~~(b) set out any amendments requested to the outputs, delivery dates or allowances set out in the Cyber Resilience IT Baseline Allowances Table or the Cyber Resilience IT PCD Table;~~
- ~~(c) explain how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems;~~

- ~~(d) explain the basis of the calculations for any amendments requested to allowances; and~~
- ~~(e) include such detailed supporting evidence as is reasonable in the circumstances.~~

~~3.3.14—An application under paragraph 3.3.12 must:~~

- ~~(a) relate to circumstances of the type referred to in paragraph 3.3.11 that have developed since the licensee submitted its Cyber Resilience IT Plan under paragraph 3.3.8;~~
- ~~(b) take account of any allowed expenditure which can be avoided as a result of the change; and~~
- ~~(c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.~~

~~3.3.15—The Authority may only make changes under this Re-opener by direction:~~

- ~~(a) where a circumstance in paragraph 3.3.11 exists;~~
- ~~(b) if an application was made by the licensee under paragraph 3.3.12, where the requirements in paragraphs 3.3.14 and 3.3.15 have been met;~~
- ~~(c) if the relevant circumstance is that set out in paragraphs 3.3.11(a) or (b), where the addition of new outputs would improve the licensee's cyber resilience in relation to IT;~~
- ~~(d) if the relevant circumstance is that set out in paragraph 3.3.11(c), where the addition of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience in relation to IT;~~
- ~~(e) if the relevant circumstance is that set out in paragraph 3.3.11(d), where a change to an existing output is justified:
 - ~~i. in order to correct an error; or~~
 - ~~ii. because the licensee has demonstrated that the refinement would improve the licensee's cyber resilience in relation to IT; and~~~~
- ~~(f) where there is sufficient detail to demonstrate that the proposed allowances are efficient and the change would improve the licensee's cyber resilience in relation to IT.~~

~~3.3.16—A direction under this Part:~~

- ~~(a) may adjust allowances in the Cyber Resilience IT Baseline Allowances Table as a result of circumstances set out in paragraph 3.3.11(d)(i);~~
- ~~(b) may amend outputs, delivery dates and allowances in the Cyber Resilience IT PCD Table;~~

- (c) may modify the text in Appendices 1 and 2 to amend the date of publication of the documents containing the Cyber Resilience IT Baseline Allowances Table and the Cyber Resilience IT PCD Table;
- (d) will set out the value of $CRITRA_t$ and $CRITRO_t$ terms, where these are being adjusted; and
- (e) must be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part E: Assessment of the Price Control Deliverable ($CRITRA_t$ and $CRITRO_t$)

3.3.17—The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for $CRITRA_t$ and $CRITRO_t$ where the licensee has not Fully Delivered an output in the Cyber Resilience IT PCD Table.

Part F: Reporting Requirements

3.3.18—The licensee must send reports to the Authority, in a form approved by the Authority, that include:

- (a) a summary of progress against key milestones contained in the licensee's Improvement Plan;
- (b) a summary of developments against the outputs in the Cyber Resilience IT PCD Table;
- (c) the licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience in relation to IT, including risk reduction;
- (d) a description of how the licensee has considered any relevant guidance provided by the Authority; and
- (e) such detailed supporting evidence as is reasonable in the circumstances.

3.3.19 3.2.21 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.2.18 3.2.19 by no later than the dates, and in relation to the periods, set out in Appendix 35.

Part F: What process will Cyber Resilience UOL use it or lose it rReporting allowance rRequirements

3.2.22 The licensee must, by no later than the dates, and in relation to the periods set out in Appendix 5, as part of its annual Cyber Resilience reporting, provide a qualitative report explaining how expenditure funded as uncertain investment from allowances for use it or lose it has contributed to activities intended to maintain or improve its cyber resilience posture.

3.2.23 The report under paragraph 3.2.20 must ~~licensee shall provide to the Authority a qualitative report that:~~

- (a) sets out the relevant NCSC CAF Contributing Outcomes that the investment was intended to address;
- (b) provides a narrative summary of the intended needs and the actual needs addressed to maintain or improve the licensee's cyber resilience, including a high-level statement on needs that remain outstanding and the associated residual risks as understood by the licensee;
- (c) sets out any use it or lose it allowances that remain unspent; and
- (d) includes a confirmation from the licensee's NIS Responsible Officer NRO, or their nominated representative, that the information contained within the qualitative report represents the licensee's reasonable understanding of the cyber resilience outcomes achieved through the use it or lose it UIOLI expenditure.

3.2.24 The qualitative report must describe, at a narrative level, the activities undertaken to meet the needs for which the use it or lose allowances were awarded, the factors considered when prioritising those activities needs and the licensee's assessment of the impact of the use it or lose it UIOLI expenditure on its cyber resilience posture.

3.2.25 This qualitative assessment does not constitute a Price Control Deliverable and shall is not be subject to the evaluative assessment principles set out in Special Condition 9.3.

3.2.26 The Authority may consider the reports provided under this Part this information for the purpose of monitoring and evaluation and in making any direction under paragraph 3.2.17. of use it or lose allowances when making its adjustment at the end of the price-control period.

Part G: Process the Authority will follow in making a direction ?

3.3.203.2.27 Before making a direction under paragraph 3.2.153, 3.8, 2.14 3.2.17 3.2.16, or 3.2.17 3.2.18, the Authority will send to the licensee:

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

3.3.213.2.28 A direction under paragraph 3.3.182.167 will set out:

- ~~(a) the delivery status of the output that has not been Fully Delivered;~~
- (b)(a) the value of the CRITRA_t, CYRA_t and CRITRO_t term, CYRO_t terms, and the Regulatory Years to which those adjustments relate; and

(e)(b) the methodology and data that has been used to decide the delivery status and value of any adjustments to the $CRITRA_t$, $CYRA_t$, and $CRITRO_t$, $CYRO_t$ terms;

(c) The delivery status of the output that has not been Fully Delivered.

3.2.29 A direction under paragraph 3.2.17 will set out:

(a) the value of the $CYRAU_t$ term, and the Regulatory Years to which the adjustment relates, and

(b) the methodology and data that has been used to decide the delivery status and value of any adjustments to the $CYRAU_t$ term.

3.2.30 Any Re-opener and Price Control Deliverable direction issued by the Authority in accordance with this condition will distinguish between the transportation owner and the system operator allowance adjustments.

Appendix 1

Title and publication date of document containing the ~~cyber resilience IT~~
Baseline Cyber Resilience Allowances Table

<u>Title</u>	<u>Publication Date</u>
<u>RIIO-3 Final Determinations – NGT Cyber Resilience</u>	<u>04 December 2025</u>

Appendix 2

Title and publication date of document containing the Cyber Resilience PCD Table

<u>Title</u>	<u>Publication Date</u>
<u>RIIO-3 Final Determinations – NGT Cyber Resilience</u>	<u>04 December 2025</u>

Appendix 3

Title and publication date of document containing the -allowances table
Cyber Resilience Re-opener Allowances Table

<u>Title</u>	<u>Publication Date</u>
<u>RIIO-23 Final Determinations – NG Group Information Technology Re-opener Decision – NGT Cyber Resilience (REVISED)</u>	<u>3 February 2021</u> <u>N/A – Not yet published</u>

Appendix 2Appendix 4

Title and publication date of document containing the Cyber Resilience IT PCDUIOLI Allowances Table

Title	Publication Date
RIIO-23 Final Determinations – NG Group Information TechnologyNGT Cyber Resilience (REVISED)	3 February 20214 th December 2025

Appendix 3Appendix 5

Report submission dates and the associated periods to be reported on

Dates each year by which reports must be submitted from 31 January 2022 to 31 July 2026to the Authority	Associated periods to be reported on
31 July 2027	1 OctoberApril 2026 to 31 March 2027
31 JanuaryJuly 2028	1 April 2027 to 30 September31 March 2028
31 July 2029	1 April 2028 to 31 March 2029
31 July 2030	1 April 2029 to 31 March 2030
31 July 2031	1 April 2030 to 31 March 2031

**Special Condition 3.4Special Condition 3.3 Physical security
Resilience Re-opener, physical security **Price Control**
DeliverablePCD and **Price Control Deliverable** Re-opener (PSUP_t
and, PSUPRE_t) and RESRE_t)**

Introduction

3.4.13.3.1 The purpose of this condition is to calculate the terms PSUP_t (the
physical security Price Control Deliverable term) and, PSUPRE_t (the physical
security Re-opener term). These and RESRE_t (the Resilience Re-opener
terms). These terms contribute to the calculation of the Totex Allowance.

3.4.23.3.2 The effect of this condition is to:

- (a) establish in relation to the physical security Price Control Deliverable term
and physical security Re-opener term:
 - i. specify at Appendix 1 the physical security PCD Table, which
specifies baseline allowances;

- ~~i.ii.~~ specify the outputs, delivery dates and associated allowances for the Physical Security Price Control Deliverable; set out in the Physical Security PCD Table in Appendix 2;
 - ~~ii.iii.~~ establish a Re-opener mechanism for the licensee and the Authority to trigger amendments to the Physical Security PCD Table during the Price Control Period; and
 - ~~iii.iv.~~ provide for an assessment of the Price Control Deliverable; and
- (b) in relation to the Resilience Re-opener term, establish a Re-opener that the Authority may trigger during the Price Control Period.

~~3.4.33.3.3~~ This condition also sets out the process the Authority will follow when directing making any changes under paragraph to Appendix 2 and 3.4.7, 3.4.11 or 3.4.12, to this condition.

Part A: Formulae for calculating the physical security Price Control Deliverable term ($PSUP_t$), and the physical security and Resilience Activity Re-opener term ($PSUPRE_t$ terms ($PSUPRE_t$ and $RESRE_t$))

~~3.4.43.3.4~~ The value of $PSUP_t$ is derived in accordance with the following formula:

$$PSUP_t = PSUPA_t - PSUPRA_t$$

where:

$PSUPA_t$ means the sum of baseline allowances in the Physical Physical Security Baseline Allowances Table in Appendix 1; and

$PSUPRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

~~3.4.53.3.5~~ The value of $PSUPRE_t$ is derived in accordance with the following formula:

$$PSUPRE_t = PSUPO_t - PSUPRO_t$$

where:

$PSUPO_t$ means the sum of allowances directed by the Authority as a result of Re-openers established by set out in Parts C and D; and

$PSUPRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.3.6 The value of $RESRE_t$ is derived in accordance with the following formula:

$$RESRE_t = RESO_t - RESRO_t$$

where:

$RESO_t$ the sum of allowance determined by Authority in accordance with Part G; and

RESRO has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

~~3.4.6~~3.3.7 The Physical Security PCD Table specifies the outputs ~~Appendices 2 and 3~~ specifies the Price Control Deliverables that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Licensee triggered Physical security Re-opener

~~3.4.7~~3.3.8 The licensee may apply to the Authority for a direction amending the Physical Security ~~Physical s~~Security PCD Table, in Appendix 2, where the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme has changed, following a change in the Critical National Infrastructure classification which results in a change to the scope of work the licensee is required to carry out under the physical security programme to be designated by UK Government.

~~3.3.9~~ The licensee may only apply to the Authority under paragraph 3.4.7 ~~Between 25 January 3.87~~ between:

- ~~(a) 1 April 2028 and 31 January in year 2024, 8 April 2028; and~~
- ~~(a)(b) 1 April 2030 and 8 April 2030; or~~
- ~~(b)(c) during such later other periods as the Authority may direct.~~

~~3.4.8~~3.3.10 An application under paragraph 3.4.7 ~~must~~3.87 must be made in writing to the Authority and ~~include statements set out:~~

- ~~(a) setting out the~~ changes to the scope of work the licensee is required to carry out under the physical security Upgrade programme to be designated by UK Government to which the application relates;
- ~~(b) setting out the change in~~ Critical National Infrastructure classification for each site to which the application relates;
- ~~(c) setting out any amendments requested to~~ the outputs, delivery dates or allowances in the Physical Security ~~Physical s~~Security PCD Table;
- ~~(d) explaining an explanation of~~ the basis of the calculations for any amendments requested to allowances; and
- ~~(e) providing such detailed supporting evidence as is reasonable in the~~ circumstances.

~~3.4.9~~3.3.11 An application under paragraph 3.4.7 ~~3.87~~ must:

- ~~(a) only relate to changes to the scope of work which take effect on after 28 June 2024 and which the licensee is required to carry out under the Physical Security Upgrade Programme on or after 9 December 2019; the physical security programme to be designated by UK Government as a result of a change in the Critical National Infrastructure classification;~~
- ~~(b) take account of any allowed expenditure, which can be avoided as a result of the change; and~~

(c) be confined to costs incurred or expected to be incurred on or after 1 April 2021–2026.

Part D: Authority triggered physical security Re-opener

~~3.4.10~~3.12 The Authority will also consider directing amendments to may amend the outputs, delivery dates or allowances in the Physical Security PCD Table Appendix 2 by direction without an application being made under paragraph 3.3.7 where there have been changes to the scope of ~~workworks~~ the licensee is required to carry out under the physical security programme to be designated by UK Government programmes Physical Security Upgrade Programme that:

- (a) have been mandated on or after ~~9 December 2019~~28 June 2024; and
- (b) relate to costs incurred or expected to be incurred on or after 1 April 20212026.

Part E: Assessment of the ~~physical security~~ Price Control Deliverable (PSUPRA~~t~~ and PSUPRO~~t~~) Deliverables (PSUPRA~~t~~ and PSUPRO~~t~~ and RESRO~~t~~)

~~3.4.11~~3.13 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), ~~consider directing a value for PSUPRA~~t~~ and PSUPRO~~t~~ and~~ where the licensee has not Fully Delivered an output as specified in Appendix 2 or 3, direct a value for PSUPRA~~t~~ and PSUPRO~~t~~, and RESRO~~t~~.

Part F: ~~What process will~~ Process the Authority will follow in making a direction?

~~3.4.12~~3.14 Before making a direction under paragraph 3.4.7, ~~3.4.11~~87, ~~3.3.12~~141 or ~~3.4.12~~3.13, 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~~ up to less than 28 days unless the Authority determines that a longer period is appropriate.

~~3.4.13~~3.15 A direction under paragraph 3.4.7 or ~~3.4.11~~ will~~87~~ or ~~3.3.12~~141 will:

- (a) set out in full the ~~Physical Security~~ Physical sSecurity PCD Table in Appendix 2 as amended; and
- (b) replace the text in Appendix 2 with the title and publication date of the direction.

~~(b)(a) A direction under paragraph 3. replace the text in Appendix 2 with the title and publication date of the direction~~

~~3.4.143.3.16 A direction under paragraph 3.4.123.1312~~ will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the $PSUPRA_t$ and $PSUPRO_t$ terms and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the $PSUPRA_t$ and $PSUPRO_t$ terms.

Part G: Resilience Re-opener term and process for modifications and reporting requirements

3.3.17 This Part establishes the Resilience Activity term cost Re-opener, which is set out in Appendix 3.

3.3.18 Where the Authority considers that amendments are necessary to fund a Resilience Activity that was not anticipated at the start of the Price Control Period, it may, at any time during the Price Control Period, make a modification to the allowances set out in Appendix 3.

3.3.19 The Authority may only make a modification under this Part where it is satisfied that:

- (a) the Resilience Activity is required;
- (b) the proposed allowances are efficient and justified; and
- (c) the costs relate to expenditure incurred or expected to be incurred on or after 1 April 2026.

3.3.20 When making a modification under this Part, the Authority may require the licensee to provide such information as it may reasonably require.

3.3.21 The Authority will only make a modification under this Part where the aggregated costs of the Resilience Activities meet or exceed the Materiality Threshold.

3.3.22 For the purposes of paragraph 3.3.20, the Authority may group multiple Resilience Activities to meet the Materiality Threshold.

3.3.23 Any modification under this Part will be made under section 23 of the Gas Act 1986.

3.3.24 The licensee must report to the Authority on delivery of the outputs specified in Appendix 3 in accordance with Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements).

Appendix 1

Title and publication date of document containing the Physical Security Baseline Allowances Table

Title	Publication Date
NGGTFNGT Redacted Information Document	3 February 2021 N/A – Not yet published

Appendix 2

Title and publication date of document containing the Physical Security PCD Table

Title	Publication Date
NGGTFNGT Redacted Information Document	3 February 2021 N/A – Not yet published

Net Zero And

Appendix 3

Resilience Activities: Outputs, delivery dates, and allowances

<u>Site Reference</u>	<u>Output</u>	<u>Delivery date</u>	<u>Allowance (£)</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

~~Special Condition 3.5~~Special Condition 3.4 Small Decarbonisation Projects Re-opener Development Fund use it or lose it allowance (~~RDF_t~~(SDP_t))

~~Introduction~~

Introduction

~~3.5.11.1.1~~3.5.21.1.1 The purpose of this condition is to calculate the term ~~RDF_t~~ (the Net Zero And Re-opener Development Fund term). ~~This contributes to the calculation of the Totex Allowance.~~

~~3.5.21.1.1~~3.5.21.1.1 The effect of this condition is to:

- ~~(a) specify the allowance for the Net Zero And Re-opener Development Fund;~~
- ~~(b) require the licensee to comply with the Net Zero And Re-opener Development Fund Governance Document; and~~
- ~~(c) provide for a Use It Or Lose It Adjustment.~~

3.5.3 — This condition also explains the process the Authority will follow when issuing or amending the Net Zero and Re-opener Development Fund Governance Document.

Part A: Formula for calculating the Net Zero And Re-opener Development Fund term (RDF_t)

3.5.4 — The value of RDF_t is derived in accordance with the following formula:

$$RDF_t = RDFA_t - RDFR_t$$

— where:

RDFA_t means the allowances in Appendix 1; and

RDFR_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: Net Zero and Re-opener Development Fund Governance Document

3.5.5 — The licensee must comply with the Net Zero and Re-opener Development Fund Governance Document when incurring expenditure in relation to the allowance provided by this licence condition.

3.5.6 — The Authority will issue and amend the Net Zero and Re-opener Development Fund Governance Document by direction.

3.5.7 — The Authority will publish the Net Zero and Re-opener Development Fund Governance Document on the Authority's Website.

3.5.8 — The Net Zero and Re-opener Development Fund Governance Document will make provision about the governance and administration of the Net Zero And Re-opener Development Fund, including:

(a) the definition of "allowable RDF expenditure" and "unrecoverable RDF expenditure";

~~(b) (a) the eligibility criteria, which expenditure incurred in relation to the allowance provided by this licence condition must meet; and~~

~~(c) the reporting obligations in respect of which expenditure incurred in relation to Net Zero And Re-opener Development Fund must meet.~~

3.5.9 — Before directing that the Net Zero and Re-opener Development Fund Governance Document comes into effect, the Authority will publish on the Authority's Website:

(a) the text of the proposed Net Zero and Re-opener Development Fund Governance Document;

(b) the date on which the Authority intends the Net Zero and Re-opener Development Fund Governance Document to come into effect; and

(c) a period during which representations may be made on the content of the Net Zero and Re-opener Development Fund Governance Document, which will not be less than 28 days.

3.5.10 Before directing an amendment to the Net Zero and Re-opener Development Fund Governance Document, the Authority will publish on the Authority's Website:

(a) the text of the amended Net Zero and Re-opener Development Fund Governance Document;

(b) the date on which the Authority intends the amended Net Zero and Re-opener Development Fund Governance Document to come into effect;

(c) the reasons for the amendments to the Net Zero and Re-opener Development Fund Governance Document; and

(d) a period during which representations may be made on the amendments to the Net Zero and Re-opener Development Fund Governance Document, which will not be less than 28 days.

~~Part C: Part A: Use It Or Lose It Adjustment~~

3.5.11 The Authority will direct an amendment to the value of $RDFR_t$ where it considers that a Use It Or Lose It Adjustment is appropriate.

~~Part D: Authority's direction process~~

3.5.12 Before making a direction under paragraph 3.5.11, 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.

3.5.13 The direction will set out the value of the $RDFR_t$ term and the Regulatory Years to which that adjustment relates.

Appendix 4

Net Zero And Re-opener Development Fund allowance ($RDFA_t$) by Regulatory Year (£m)

2021/22	2022/23	2023/24	2024/25	2025/2026	Total
1.66	1.66	1.66	1.66	1.66	8.3

Special Condition 3.6 Net zero Re-opener and Price Control Deliverable (NZ_t)

Introduction

~~3.6.11.1.1~~ The purpose of this condition is to calculate the term NZ_t (the net zero Re-opener term). This contributes to the calculation of the Totex Allowance.

~~3.6.21.1.1~~ The effect of this condition is to:

- ~~(a) specify any Price Control Deliverable relating to Net Zero Developments;~~
- ~~(b)(a) establish a Re-opener for the Authority to trigger modifications to any such Price Control Deliverable and the outputs, delivery dates and allowances established by the other special conditions of this licence; and~~
- ~~(c)(a) provide for an assessment of the Price Control Deliverable specified in this condition.~~

3.6.3 This condition also explains the process the Authority will follow when making any changes under this condition.

Part A: Formula for calculating the net zero Re-opener term (NZ_t)

3.6.4 The value of NZ_t is derived in accordance with the following formula:

$$NZ_t = NZO_t - NZRO_t$$

— where:

NZO_t means the sum of allowances in Appendix 1; and

NZRO_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

~~Part B: Part A: What is the licensee funded to deliver?~~

3.6.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and allowances associated with those outputs.

Part C: Net Zero Re-opener

3.6.6 This Re-opener may be used where:

- (a) a Net Zero Development has occurred or is expected to occur;
- (b) the Net Zero Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
- (c) the effect of the Net Zero Development on the cost of Licensed Activity is not otherwise provided for in this licence;
- (d) the effect of the Net Zero Development has not already been assessed under another Re-opener; and

~~(e) the effect, or estimated effect, of the Net Zero Development on the cost of Licensed Activity exceeds the Materiality Threshold.~~

~~3.6.71.1.1 The Authority may make modifications under this Re-opener at any time during the Price Control Period.~~

~~3.6.81.1.1 The following modifications to the licence may be made under this Re-opener:~~

~~(a) modifications to the outputs, delivery dates and allowances in Appendix 1, and~~

~~(b)(a) modifications to the outputs, delivery dates and allowances in the other special conditions of this licence.~~

~~3.6.9 Any modifications made under this Re-opener will be made under section 23 of the Act.~~

~~Part D: Assessment of the Price Control Deliverable (NZRO_t)~~

~~3.6.10 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for NZRO_t where the licensee has not Fully Delivered an output in Appendix 1.~~

~~Part E: What process will the Authority follow in making a direction?~~

~~3.6.11 Before making a direction under paragraph 3.6.10 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.~~

~~3.6.12 A direction under paragraph 3.6.10 will set out~~

~~(a) the delivery status of the output that has not been Fully Delivered;~~

~~(b) the value of the NZRO_t term and the Regulatory Years to which that value relates; and~~

~~(c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the NZRO_t term.~~

Appendix 1

Net Zero Price Control Deliverable (£m)

Regulatory Year

Output	Delivery date	2021/22	2022/23	2023/24	2024/25	2025/26	Total
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Special Condition 3.7 Non-operational IT Capex Re-opener and Price Control Deliverable (NOITRE_t)

Introduction

~~3.7.11.1.1~~ The purpose of this condition is to calculate the term NOITRE_t (the Non-operational IT Capex Re-opener term). This contributes to the calculation of the Totex Allowance.

~~3.7.21.1.1~~ The effect of this condition is to:

- ~~(a) specify the outputs, delivery dates and associated allowances for any Price Control Deliverable relating to Non-operational IT Capex;~~
- ~~(b) establish a Re-opener triggered by either the licensee or the Authority for Non-operational IT Capex; and~~
- ~~(c) provide for an assessment of the Price Control Deliverables.~~

~~3.7.3~~ This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: Formula for calculating the Non-operational IT Capex Re-opener term (NOITRE_t)

~~3.7.4~~ The value of NOITRE_t is derived in accordance with the following formula:

$$\text{NOITRE}_t = \text{NOITO}_t - \text{NOITRO}_t$$

~~where:~~

~~NOITO_t means the allowances in Appendix 1; and~~

~~NOITRO_t has the value zero unless otherwise directed by the Authority in accordance with Part D.~~

~~Part B: Part A: What is the licensee funded to deliver?~~

~~3.7.5~~ Appendix 1 specifies the total allowances provided for work relating to Non-operational IT Capex and Appendix 2 specifies the Price Control Deliverables outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Non-operational IT Capex Re-opener

~~3.7.6 The licensee may apply to the Authority for a direction amending Appendices 1 and 2 as a result of:~~

- ~~(a) the licensee identifying further evidence in support of Non-operational IT Capex projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;~~
- ~~(b) the licensee identifying activities capable of improving the efficiency or performance of its Non-operational IT Capex; or~~
- ~~(c) any changes to statutory or regulatory requirements relating to Non-operational IT Capex.~~

~~3.7.7 The licensee may only apply to the Authority for changes under this Re-opener:~~

- ~~(a) Between 1 April 2021 and 8 April 2021;~~
- ~~(b) Between 25 January 2023 and 31 January 2023; and~~
- ~~(c) during such other periods as the Authority may direct.~~

~~3.7.8 An application under paragraph 3.7.6 must be made in writing to the Authority and:~~

- ~~(a) give details of the circumstances referred to in paragraph 3.7.6 that the licensee considers exist;~~
- ~~(b) explain how the adjustment requested would improve its Non-operational IT Capex;~~
- ~~(c) explain the basis of the calculations for the adjustment requested to allowances;~~
- ~~(d) give details of anticipated business benefits derived from any risk reduction as a result of the proposed activities; and~~
- ~~(e) provide such detailed supporting evidence as is reasonable in the circumstances, which must include:~~
 - ~~i. delivery plans;~~
 - ~~ii. a prioritisation programme;~~
 - ~~iii. a market and industry cost comparison; and~~
 - ~~iv. anticipated business benefits derived as a result of the proposed activities.~~

~~3.7.9 An application under paragraph 3.7.6 must:~~

- ~~(a) take account of any allowed expenditure, which can be avoided as a result of the adjustment; and~~

~~(b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.~~

~~3.7.10 The Authority will also consider amending Appendices 1 and 2 without an application being made under paragraph 3.7.6 where it considers that:~~

~~(a) circumstances of the type referred to in paragraph 3.7.6 exist; and~~

~~(b) costs were incurred or will be incurred on or after 1 April 2021.~~

~~Part D: Assessment of the Price Control Deliverable (NOITRO_t)~~

~~3.7.11 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for NOITRO_t where the licensee has not Fully Delivered an output in Appendix 2.~~

~~Part E: What process will the Authority follow in making a direction?~~

~~3.7.12 Before making a direction under paragraph 3.7.6, 3.7.10 or 3.7.11, the Authority will publish on the Authority's Website:~~

~~(a) the text of the proposed direction;~~

~~(b) (a) 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.~~

~~3.7.13 A direction under paragraph 3.7.6 or 3.7.10 will set out any amendments to Appendices 1 and 2.~~

~~3.7.14 A direction under paragraph 3.7.11 will set out~~

~~(a) the delivery status of the output that has not been Fully Delivered;~~

~~(b) the value of the NOITRO_t term and the Regulatory Years to which that value relates; and~~

~~(c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the NOITRO_t term.~~

Appendix 1

Non-operational IT Capex Re-opener allowance (£m)

	2022	2023	2024	2025	2026	Total
Re-opener Allowance	0	0	0	0	0	0

Appendix 2

Non Operational IT Capex Price Control Deliverable (£m)

NOITR E project	Output t	Deliver y date	<u>Regulatory Year</u>					Total
			<u>2021/2</u> <u>2</u>	<u>2022/2</u> <u>3</u>	<u>2023/2</u> <u>4</u>	<u>2024/2</u> <u>5</u>	<u>2025/2</u> <u>6</u>	
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

~~Special Condition 3.8~~Special Condition 1.1 Coordinated adjustment mechanism Re-opener (CAM_r)

Introduction

~~3.8.11.1.1~~ The purpose of this condition is to calculate the term CAM_r (the coordinated adjustment mechanism term). This contributes to the calculation of the Totex Allowance.

3.8.2 The effect of this condition is to establish a Re-opener triggered by the licensee where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.

3.8.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

3.8.4 The licensee may apply to the Authority for a direction adjusting the value of the CAM_r term and the outputs, delivery dates and allowances within the special conditions relating to the CAM Activity for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

Part B: When to make an application

~~Part C: Part A:~~ The licensee may only apply to the Authority for an adjustment under paragraph 3.8.4 Between 23 May and 29 May in each of the years 2021, 2022, 2023, 2024, 2025, or during such other periods as the Authority may direct. **How to make an application**

3.8.5 An application under paragraph 3.8.4 must be made in writing to the Authority and:

- (a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;

- ~~(b)(a) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;~~
- ~~(c)(a) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value and why the reallocation does deliver greater overall consumer value;~~
- ~~(d)(a) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;~~
- ~~(e)(a) set out any amendments requested to the outputs, delivery dates or allowances established by the special conditions of this licence and that of the Partner Licensee, relating to the CAM Activity;~~
- ~~(f)(a) set out the adjustments to the value of the CAM term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which that adjustment relates;~~
- ~~(g)(a) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's CAM terms or other allowances of the licensee and the Partner Licensee;~~
- ~~(h) provide such detailed supporting evidence, including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and~~
- ~~(i)(a) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.~~

~~3.8.61.1.1~~ An application under paragraph 3.8.4 must:

- ~~(a) take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and~~
- ~~(b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.~~

Part D: What process will the Authority follow in making a direction?

~~3.8.71.1.1~~ Before making a direction under paragraph 3.8.4 the Authority will publish on the Authority's Website:

- ~~(a) the text of the proposed direction;~~
- ~~(b)(a) 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.~~

3.8.8 The direction will set out:

- ~~(a) any adjustments to the PCFM Variable Values of this licence and that of the Partner Licensee;~~
- ~~(b)(a) the Regulatory Years to which those adjustments relate; and~~

~~(c) any amendments to the outputs and delivery dates established by the special conditions of this licence and that of the Partner Licensee.~~

Special Condition 3.9 Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZP_t)

Introduction

~~3.9.13.4.1~~ The purpose of this condition is to establish a Re-opener triggered by the Authority where pre-construction work or other projects have been identified that will support the achievement of Net Zero Carbon Targets.

~~3.9.23.4.2~~ The work or projects, may be funded via the NZP_tSDP_t term (the ~~Net Zero Pre-construction Work and Small Net Zero~~Decarbonisation Projects Re-opener term) in this licence or, where appropriate, for funding via ~~the~~all gas consumers, via a pass-through NZPS_t term in Special Condition 6.1 of this licence. ~~(SDPS_t)~~. The NZP_tSDP_t term contributes to the calculation of the Totex Allowance.

~~3.9.33.4.3~~ This condition also:

- (a) requires the licensee to comply with funding conditions and directions to return unspent funding ~~under Special Condition 6.1 of this licence~~;
- (b) requires the licensee to comply with the ~~Net Zero Pre-construction Work and Small Net Zero~~Decarbonisation Projects Re-opener Governance Document; and
- (c) explains the process the Authority will follow when:
 - i. directing any changes as a result of the Re-opener; and
 - ii. issuing or amending the ~~Net Zero Pre-construction Work and Small Net Zero~~Decarbonisation Projects Re-opener Governance Document.

Part A: The ~~Net Zero Pre-construction Work and Small Net Zero~~Decarbonisation Projects Re-opener

~~3.9.43.4.4~~ The Authority may use this Re-opener where:

- (a) there is ~~Net Zero Pre-construction Work or a~~ Small ~~Net Zero Projects~~Decarbonisation Project needed that will support the achievement of Net Zero Carbon Targets;
- (b) the ~~Net Zero Pre-construction Work or Small Net Zero~~Decarbonisation Project has caused or is expected to cause the cost of the licensee's Licensed Activity to increase during the Price Control Period;
- (c) the effect, or estimated effect, of the ~~Net Zero Pre-construction Work or Small Net Zero~~Decarbonisation Project on the cost of the ~~Licensed~~Licensed Activity is not otherwise provided for in this licence nor under another Re-opener; and
- (d) the effect, or estimated effect, of the ~~Net Zero Pre-construction Work or Small Net Zero~~Decarbonisation Project on the cost of Licensed Activity exceeds ~~the materiality threshold of £1m~~ but does not exceed £100m; and
- (e) costs incurred or expected to be incurred relate to changes on or after 1 April 2026.

~~3.9.5~~3.4.5 The Authority may issue a direction setting out the following, where the conditions in paragraph 3.94.4 are satisfied:

- (a) the amount of funding for each ~~Net Zero Pre-construction Work or Small Net Zero~~Decarbonisation Project being provided under this Re-opener;
- (b) whether that funding is to be provided via the ~~NZP~~SDP_t term in this licence or via the pass-through term ~~NZPS~~_t (~~Special Condition 6.1~~)SDPS_t in this licence or a combination of the two;
- (c) the Regulatory Years in which the funding is to be provided; and
- (d) any conditions that the licensee must comply with.

~~3.9.6~~3.4.6 The licensee must comply with any conditions set under paragraph 3.94.5(d).

~~3.9.7~~3.4.7 If the licensee does not spend funding provided under this Re-opener or does not comply with any conditions set under paragraph 3.94.5(d) the Authority may direct as appropriate:

- (a) a reduction to the ~~NZP~~SDP_t term; and/or
- (b) that the licensee return, within a time period specified in the Authority's direction, funding paid to it in accordance with a direction under Part F of Special Condition 6.1 (~~Transportation owner pass-through items~~) of this licence.

~~3.9.8~~3.4.8 If the licensee does not spend funding provided via the pass-through term ~~NZPS~~_t SDPS_t on Small Decarbonisation Projects as set out in a direction made under paragraph 3.94.5, the Authority may direct that the licensee ~~returns~~must return that funding.

~~3.9.9~~3.4.9 The licensee must comply with a direction under paragraph 3.94.7(b) and 3.94.8 to return funding.

Part B: ~~Net Zero Pre-construction Work and Small Net Zero~~Small Decarbonisation Projects Re-opener Governance Document

~~3.9.10~~3.4.10 The licensee must comply with the ~~Net Zero Pre-construction Work and Small Net Zero~~Small Decarbonisation Projects Re-opener Governance Document in relation to ~~any Net Zero Pre-construction Work and Small Net Zero~~Small Decarbonisation Projects funded by this Re-opener.

~~3.9.11~~3.4.11 The Authority will issue and amend the ~~Net Zero Pre-construction Work and Small Net Zero~~Small Decarbonisation Projects Re-opener Governance Document by direction.

~~3.9.12~~3.4.12 The Authority will publish the ~~Net Zero Pre-construction Work and Small Net Zero~~Small Decarbonisation Projects Re-opener Governance Document on the Authority's Website.

~~3.9.13~~3.4.13 Before issuing the ~~Net Zero Pre-construction Work and Small Net Zero~~Small Decarbonisation Projects Re-opener Governance Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the proposed ~~Net Zero Pre-construction Work and Small Net Zero~~Small Decarbonisation Projects Re-opener Governance Document;
- (b) the date on which the Authority intends the ~~Net Zero Pre-construction Work and Small Net Zero~~Small Decarbonisation Projects Re-opener Governance Document to come into effect; and
- (c) a period during which representations may be made on the content of the Small Decarbonisation Projects Re-opener Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.4.14 Before amending the Small Decarbonisation Projects Re-opener Governance Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended Small Decarbonisation Projects Re-opener Governance Document;
- (b) the date on which the Authority intends the amended Small Decarbonisation Projects Re-opener Governance Document to come into effect;
- (c) the reasons for the amendments to the Small Decarbonisation Projects Re-opener Governance Document; and
- (d) a period during which representations may be made on the amendments to the Small Decarbonisation Projects Re-opener Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part C: Process the Authority will follow in making a direction

3.4.15 Before making a direction under paragraphs 3.4.5, 3.4.7 or 3.4.8 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 3.5 Decarbonisation Project Development ~~Use It Or Lose It~~ allowance (DPD_t)

Introduction

3.5.1 The purpose of this condition is to calculate the term DPD_t (the Decarbonisation Project Development Use It Or Lose It term). This contributes to the calculation of the Totex Allowance.

3.5.2 The effect of this condition is to:

- (a) specify the allowance for the Decarbonisation Project Development Use It Or Lose It;
- (b) require the licensee to comply with the Decarbonisation Project Development UIOLI Governance Document; and
- (c) provide for a Use It Or Lose It Adjustment.

3.5.3 This condition also explains the process the Authority will follow when issuing or amending the Decarbonisation Project Development UIOLI Governance Document.

Part A: Formula for calculating the Decarbonisation Project Development Use It Or Lose It allowance term (DPD_t)

3.5.4 The value of DPD_t is derived in accordance with the following formula:

$$DPD_t = DPDA_t - DPDR_t$$

where:

- DPDA_t means the allowances in Appendix 1 that relate to the licensee; and
- DPDR_t has the value zero unless otherwise directed by the Authority in accordance with Part DC.

Part B: Decarbonisation Project Development UIOLI Governance Document

3.5.5 The licensee must comply with the Decarbonisation Project Development UIOLI Governance Document when incurring expenditure in relation to the allowance provided by this condition.

3.5.6 The Authority will issue and amend the Decarbonisation Project Development UIOLI Governance Document by direction.

3.5.7 The Authority will publish the Decarbonisation Project Development UIOLI Governance Document on the Authority's Website.

3.5.8 The Decarbonisation Project Development UIOLI Governance Document will make provision about the governance and administration of the Decarbonisation Project Development Use It Or Lose It, including:

- (a) the definition of "allowable DPD expenditure" and "unrecoverable DPD expenditure";
- (b) the eligibility criteria, which expenditure incurred in relation to the allowance provided by this licence condition must meet; and
- (c) the reporting obligations in respect of which expenditure incurred in relation to the Decarbonisation Project Development Use It Or Lose It must meet

3.5.9 Before directing that the Decarbonisation Project Development UIOLI Governance Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed Decarbonisation Project Development UIOLI Governance Document;
- (b) the date on which the Authority intends the Decarbonisation Project Development UIOLI Governance Document to come into effect; and
- (c) a period during which representations may be made on the content of the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Decarbonisation Project Development UIOLI Governance Document, which will not be less than up to 28 days unless the Authority determines that a longer period is appropriate.

3.9.143.5.10 Before amending the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener directing an amendment to the Decarbonisation Project Development UIOLI Governance Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Decarbonisation Project Development UIOLI Governance Document;
- (b) the date on which the Authority intends the amended Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Decarbonisation Project Development UIOLI Governance Document to come into effect;
- (c) the reasons for the amendments to the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Decarbonisation Project Development UIOLI Governance Document; and
- (d) a period during which representations may be made on the amendments to the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Decarbonisation Project Development UIOLI Governance Document, which will not be less than up to 28 days unless the Authority determines that a longer period is appropriate.

Part C: Use It Or Lose It Adjustment

3.5.11 What process The Authority will direct an amendment to the value of DPDR_t where it considers that a Use It Or Lose It Adjustment is appropriate.

Part C:Part D: Process the Authority will follow in making a direction ?

3.9.153.5.12 Before making a direction under paragraph paragraph 3.9.5, 3.9.7 or 3.9.8,11, 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

3.5.13 The direction will set out the value of the DPDR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Decarbonisation Project Development Use It Or Lose It allowance (DPDA_t) by Regulatory Year (£m)

<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
<u>3.263.63</u>	<u>3.273.63</u>	<u>3.303.63</u>	<u>3.023.62</u>	<u>3.143.62</u>	<u>15.9948.13</u>

Special Condition 3.6 Decarbonisation and Eenvironmental Ppolicy Re-opener and Price Control Deliverable (DEP_t)

Introduction

3.6.1 The purpose of this condition is to calculate the term DEP_t (the Ddecarbonisation and Eenvironmental Ppolicy Re-opener term). This contributes to the calculation of the Totex Allowance.

3.6.2 The effect of this condition is to:

- (a) specify any Price Control Deliverable relating to Net Zero Developments or relating to Environmental Developments.
- (b) establish a Re-opener for the Authority to trigger modifications to any such Price Control Deliverable and the outputs, delivery dates and allowances established by the other special conditions of this licence; and
- (c) provide for an assessment of the Price Control Deliverable specified in this condition.

3.6.3 This is an Evaluative PCD.

3.6.4 This condition also sets out the process the Authority will follow when making any changes under this condition.

Part A: Formula for calculating the Ddecarbonisation and Eenvironmental Ppolicy Re-opener term (DEP_t)

3.6.5 The value of DEP_t is derived in accordance with the following formula:

$$DEP_t = DEPRO_t - DEPROR_t$$

where:

DEPRO_t means the sum of allowances in Appendix 1; and

DEPROR_t Means the assessment of the Price Control Deliverable and has the value zero unless otherwise directed by the Authority in accordance with Part D. A downwards adjustment should be represented as a positive DEPROR_t value, while a positive adjustment should be represented as a negative value.

Part B: What is the licensee funded to deliver?

3.6.6 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances associated with those outputs.

Part C: Decarbonisation and Environmental Policy Re-opener

3.6.7 This Re-opener may be used where:

- (a) a Net Zero Development or an Environmental Development has occurred or is expected to occur;
- (b) the Net Zero Development or the Environmental Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
- (c) the effect of the Net Zero Development or the Environmental Development on the cost of Licensed Activity is not otherwise provided for in this licence;
- (d) the effect of the Net Zero Development or the Environmental Development has not already been assessed under another Re-opener;
- (e) the effect, or estimated effect, of the Net Zero Development or the Environmental Development on the cost of Licensed Activity results in Allowed Revenue Adjustment that exceeds the Materiality Threshold; and
- (f) costs incurred or expected to be incurred relate to changes on or after 1 April 2026.

3.6.8 The Authority may make modifications under this Re-opener at any time during the Price Control Period.

3.6.9 The following modifications to the licence may be made under this Re-opener:

- (a) modifications to the outputs, delivery dates and allowances in Appendix 1; and
- (b) modifications to the outputs, delivery dates and allowances in the other special conditions of this licence.

3.6.10 Any modifications made under the Re-opener in this Part C will be made under section 23 of the Act.

Part D: Assessment of the Price Control Deliverable (DEPROR_t)

3.6.11 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for DEPROR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part E: Process the Authority will follow in making a direction

3.6.12 Before making a direction under paragraph 3.6.11⁹ 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

3.6.13 A direction under paragraph 3.6.10 3.6.11 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the DEPROR_t term and the Regulatory Years to which that value relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the DEPROR_t term.

3.6.14 Any Re-opener and Price Control Deliverable direction issued by the Authority in accordance with this condition will distinguish between the transportation owner and the system operator allowance adjustments.

Appendix 1

Decarbonisation and Environmental Policy Price Control Deliverable (£m) per Regulatory Year

<u>Output</u>	<u>Delivery date</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Special Condition 3.7 Digitalisation Re-opener (DIGI_t)

- 3.7.1 The purpose of this condition is to calculate the term DIGI_t (the Digitalisation Re-opener allowance term). This contributes to the calculation of the Totex Allowance.
- 3.7.2 The effect of this condition is to establish a Re-opener for the licensee and the Authority to trigger amendments to the value of DIGI_t during the Price Control Period where there is a change in requirements for digital and data services from the government or the Authority, additional responsibilities related to smart metering, or an advancement of Mature Innovation projects.
- 3.7.3 This condition also sets out explains the process the Authority will follow when directing making any changes under Part A or Part C of this condition as a result of this Re-opener.

Part A: What costs are within scope of this Re-opener?

- 3.7.4 The licensee may apply to the Authority for a direction to amend the value of DIGI_t specified in Appendix 1 where the licensee incurs or expects to incur

costs that result in Allowed Revenue Adjustment that exceed the Materiality Threshold as a result of:

- (a) a change in legislation, licences, regulatory requirements, or industry codes under which a licensee is required to provide new, or significantly altered, digital or data services, including government or the Authority implementing energy sector reforms such as the Data Sharing Infrastructure or National Underground Asset Register; or
- (b) a re-tendering of the smart metering system resulting in additional roles or responsibilities for the licensee with regards to the smart metering system; or
- (c) the licensee implementing Mature Innovation related to data and digitalisation to fulfil obligations in the conditions of this licence.

3.7.5 The licensee may apply to the Authority for a direction to amend the value of DIGI_t specified in Appendix 1 where the licensee incurs or expects to incur costs that fall below the Materiality Threshold, provided that all such costs meet the requirement set out in paragraph 3.7.4(a).

Part B: Digitalisation Re-opener

3.7.6 The licensee may only apply to the Authority for a modification under Part A: to the value of DIGI_t:

- (a) between 1 October 2028 and 31 October 2028; and
- (b) during such other periods as the Authority may direct.

3.7.7 An application under Part A must be made in writing to the Authority and: The licensee must, when making an application under the Digitalisation Re-opener, send to the Authority a written application that:

- (a) gives details demonstrating how it is eligible to apply under Part A;
- (b) sets out the proposed modifications to the value of DIGI_t in Appendix 1;
- (c) explains the basis for calculating the modifications requested to allowances the term DIGI_t and the relevant profiling of the term DIGI_t those allowances; and
- (d) provides such detailed supporting evidence as is reasonable in the circumstances.

3.7.8 An application under this Part must:

- (a) where any of the circumstances in paragraphs 3.7.4(a) or 3.7.5 apply, relate to changes to the roles and responsibilities of the licensee introduced on or after 11 December 2024;
- (b) be confined to costs incurred or expected to be incurred on or after 1 April 2026; and
- (c) take account of allowed expenditure which can be avoided as a result of the modifications requested.

Part C: Authority triggered Re-opener

3.7.9 The Authority will also consider directing amendments to the value of the term DIGI_t amending Appendix 1 without an application being made under Part A where it considers that circumstances of the type referred to in Part A exist.

3.7.10 A modification under this Part C will be made under section 23 of the Act.

Part D: Process the Authority will follow in making a direction

3.7.11 The Authority may only make a direction under Part A ~~or C~~ where:

- (a) a circumstance in Part A exists; and
- (b) ~~in respect of an application under Part A,~~ the requirements in paragraph 3.7.8 have been met.

3.7.12 Before making a direction under Part A, the Authority will ~~must~~ send to the licensee and publish on the Authority's Website:

- (a) the text of the proposed direction ~~modifications~~;
- (b) the reasons for the proposed direction; and
- (c) a statement setting out the period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.7.13 The direction will set out any adjustments to the value of the DIGI_t term and the Regulatory Years to which those adjustments relate.

3.7.14 Any Re-opener direction issued by the Authority in accordance with this condition will distinguish between the transportation owner and the system operator allowance adjustments.

Appendix 1

Digitalisation Re-opener allowances (DIGI_t) without Evaluative Price Control Deliverables by Regulatory Year (£m)

	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>Total allowance (all years)</u>
<u>DIGI_t</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAM_t)

Introduction

3.8.1 The purpose of this condition is to calculate the term CAM_t (the coordinated adjustment mechanism term). This contributes to the calculation of the Totex Allowance.

3.8.2 The effect of this condition is to establish a Re-opener enabling the licensee or the Authority to trigger amendments to this condition CAM_t and associated outputs where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.

3.8.3 This condition also explains the process the Authority will follow when directing any changes as a result of this Re-opener.

Part A: What costs are within scope of this Re-opener?

3.8.4 The licensee may apply to the Authority at any time during the Price Control Period for a direction adjusting the value of the CAM_t term and the outputs, delivery dates and associated allowances within the special conditions relating to the CAM Activity for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

Part B: How to make an application

3.8.5 An application under paragraph 3.8.4 must be made in writing to the Authority and must:

- (a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
- (b) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;
- (c) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value, and why the reallocation delivers greater overall consumer value;
- (d) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;
- (e) set out any amendments requested to the outputs, delivery dates or allowances established by the special conditions of this licence and that of the Partner Licensee, relating to the CAM Activity;
- (f) set out the adjustments to the value of the CAM_t term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which those adjustments relates;
- (g) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's CAM_t terms or other allowances of the licensee and the Partner Licensee;
- (h) provide such detailed supporting evidence including Cost-Benefit Analysis, impact assessments, risk mitigation, and engineering justification statements as set out in the Re-opener Guidance and Application Requirements Document as is reasonable in the circumstances; and

- (i) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.

3.8.6 An application under paragraph 3.8.4 must:

- (a) take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
- (b) be confined to costs incurred or expected to be incurred on or after 1 April 2026.

Part C: Authority triggered Re-opener

3.8.7 The Authority will also consider directing modifications to this licence and to the licence of the Partner Licensee without an application being made under paragraph 3.8.4 where:

- (a) The ISOP has identified instances where the Partner Licensee would be better placed to deliver outputs established by the special conditions of this licence; and
- (b) The Authority has reached agreement with the licensee and the Partner Licensee that the Partner Licensee would be better placed to deliver outputs established by the special conditions of this licence.

3.8.8 The Authority triggered Re-opener may include requirements for submission of evidence and detail adjustments to outputs and allowances as set out in Part B.

Part D: Process the Authority will follow in making a direction

3.8.9 Before making a direction under paragraph 3.8.4 or paragraph 3.8.7 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

3.8.10 The direction will set out:

- (a) any adjustments to the PCFM Variable Values of this licence and to the licence of the Partner Licensee;
- (b) the Regulatory Years to which those adjustments relate; and any amendments to the outputs and delivery dates established by the special conditions of this licence and

Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZP_r) by Regulatory Year table

<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>
0.290	1.804	8.559	6.949	1.821

(c) by the licence of the Partner Licensee.

Special Condition 3.10 ~~Special Condition 3.9~~ Bacton terminal site redevelopment Re-opener and Price Control Deliverable (BTR_t and BTRE_t)

Introduction

~~3.9.1~~ ~~Introduction~~ ~~The~~ The purpose of this condition is to calculate the ~~term~~ term BTR_t (the Bacton terminal redevelopment Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

~~3.9.2~~ The effect of this condition is to:

~~3.10.11.1.1~~ ~~) and BTRE_t (specify at Appendix 1 the Bacton terminal site redevelopment Re-opener term). These contribute to the calculation of the Totex Allowance.~~

~~3.10.21.1.1~~ The effect of this condition is to:

(a) baseline allowances;

(b) specify the basis on which the Bacton terminal site redevelopment baseline allowances may be amended;

~~(a)~~ specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;

~~(b)~~ (c) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period set out in Appendix 2; and

(d) provide for an assessment of the Price Control Deliverable.

~~3.10.33.9.3~~ This is an Evaluative PCD.

~~3.10.43.9.4~~ This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.10.11 or 3.10.159.9.

Part A: ~~Formulae~~ Formula for calculating the Bacton terminal redevelopment Price Control Deliverable term (BTR_t) and the ~~Bacton terminal redevelopment Re-opener term (BTRE_t)~~

~~3.10.53.9.5~~ The value of BTR_t is derived in accordance with the following formula:

$$BTR_t = \cancel{BTRA_t} BTR O_t - BTRRA_t$$

where:

BTR O_t means the baseline allowances in Appendix 1 as amended by the Authority in accordance with Part D; and

~~where:~~

BTRA_t means the baseline allowances in Appendix 1; and

$BTRRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

~~3.10.6 The value of $BTRE_t$ is derived in accordance with the following formula:~~

$$BTRE_t = BTRRO_t - BTRRO_t$$

~~where:~~

~~$BTRRO_t$ means the sum of allowances directed by the Authority as a result of the Re-opener established by Part D; and~~

~~$BTRRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.~~

~~**Part B: Part A: What is the licensee funded to deliver?**~~

~~3.10.71.1.1 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.~~

~~**Part C: Final Option Selection Report**~~

~~**Part B: Where specified within Appendix 2, What is the licensee must submit a Final Option Selection Report funded to deliver?**~~

~~3.10.8 Appendix 2 specifies the Authority to review and approve outputs that the Final Preferred Option.~~

~~3.10.9 The Final Option Selection Report must:~~

~~(a) be submitted in writing;~~

~~3.9.6 be submitted by licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.~~

~~**Part C: Not used**~~

~~**Part D: date specified in Appendix 2, or such other date directed Authority determination of baseline allowances ($BTRRO_t$) and Price Control Deliverables**~~

~~3.10.103.9.7 Baseline allowances and Price Control Deliverables for this Special Condition 3.9 are determined by the Authority; by reference to Special Condition 3.10 (Bacton terminal site redevelopment Re-opener and Price Control Deliverable) of the gas transporter licence held by National Gas Transmission plc as in force on 31 March 2026 (the 'March 2026 Special Condition 3.10').~~

~~(a) include a proposed Final Preferred Option; and~~

~~(b) include such detailed supporting evidence including cost benefit analysis, impact assessments, and engineering justification statements, as is reasonable in the circumstances.~~

~~3.10.111.1.1 The Authority will:~~

- ~~(a) approve the proposed Final Preferred Option;~~
- ~~(b) reject the proposed Final Preferred Option on the basis that the Authority considers no further work should go ahead at this time;~~
- ~~(c) reject the proposed Final Preferred Option and approve one of the other options in the Final Option Selection Report; or~~
- ~~(d) reject the proposed Final Preferred Option and set out additional information that should be provided to identify the best option before a resubmission of the Final Option Selection Report.~~

~~3.10.12 Before reaching a decision under paragraph 3.10.9, the Authority will publish on the Authority's Website:~~

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

~~3.10.13 Bacton terminal redevelopment Re-opener~~

3.9.8 Where:

- ~~(a) the licensee must apply applied to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 2 Between 11 September 2023 and 17 September 2023 or during such other periods as the Authority directs.~~

~~3.10.14 An application under paragraph in accordance with Special Condition 3.10.11 must be made in writing to the Authority and include:~~

- ~~(a) the actual costs incurred to date in delivering the outputs in Appendix 2;~~
- ~~(b) the amendments requested to the outputs, delivery dates or allowances in Appendix 2;~~
- ~~(c) (a) the reasons for any amendments requested to Appendix 2;~~
- ~~(d) the basis of the calculations for any amendments requested to allowances in Appendix 2; and~~
- ~~(e) such detailed supporting evidence including improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.~~
- ~~(f) (a) An application under paragraph of the March 2026 Special Condition 3.10.11 must also include; and~~
- ~~(g) details of any fully tendered costs for the approved Final Preferred Option;~~
- ~~(h) Authority did not make a Front End Engineering Design for direction in accordance with the approved Final Preferred Option; and~~

- (i) ~~a full breakdown of development and equipment costs incurred to date for the project.~~
- ~~(j)(b) An application under paragraph March 2026 Special Condition 3.10.11 must: by 31 March 2026,~~
- ~~(k) take account of any allowed expenditure which can be avoided as a result of the amendments requested; and~~
- ~~(l)(c) relate to costs incurred or expected to be incurred on or after 1 April 2021. the Authority may consider directing an amendment to the BTRRO_t term and the Price Control Deliverables in accordance with process set out in the March 2026 Special Condition 3.10.~~

Part D:Part E: Assessment of Price Control Deliverable (BTRRA_t and BTRRO_t)

~~3.10.15~~3.9.9 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for BTRRA_t and BTRRO_t where the licensee has not Fully Delivered an output in Appendix 2.

Part E:Part F: What process will Process the Authority will follow in making a direction?

~~3.10.16~~3.9.10 Before making a direction under paragraph 3.9.9~~3.10.11~~ or ~~3.10.15~~the 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~~up to 28 days: unless the Authority determines that a longer period is appropriate.

~~3.10.17~~3.9.11 A direction under paragraph 3.9.9~~3.10.11~~ will set out any amendments to Appendix 2.

~~3.10.18~~3.9.12 A direction under paragraph ~~3.10.15~~9.9 will set out:

- ~~(a) the delivery status of the output that has not been Fully Delivered;~~
- ~~(a) the delivery status of the output that has not been Fully Delivered;~~
- (b) the value of the BTRRA_t and BTRRO_t term~~term~~ and the Regulatory Years to which ~~those adjustments relate~~the adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the BTRRA_t and BTRRO_t term~~term~~.

Appendix 1

Bacton terminal site redevelopment baseline allowances ($BTRA_t$, $BTRQ_t$) by Regulatory Year ($\pounds m$)

Allowance (£m)	Total Allowance (All years) <u>2</u>	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
21/22 22/23 23/24 24/25 25/26 <u>025/26</u> (in 2018/19 prices)	<u>026/27</u>									
7.13N/A	3.37N/A	0.00N/A	0.00N/A	0.00N/A	£10.50 mN/A	N/A	N/A	N/A	N/A	N/A

Appendix 2

Bacton terminal site redevelopment Price Control Deliverable by Regulatory
Year (£m)

[illegible]

Special Condition 3.11~~Special Condition 3.10~~ Compressor emissions Re-opener and Price Control Deliverable (CEP_t and CEPRE_t)

Introduction

Introduction

~~3.11.13.10.1~~ The purpose of this condition is to calculate the ~~term~~term CEP_t (the Compressor emissions Price Control Deliverable term) and CEPRE_t (the ~~compressor emissions Re-opener term~~). These contributeThis contributes to the calculation of the Totex Allowance.

3.10.2 The effect of this condition is to:

- (a) specify at Appendix 1 the Compressor emissions baseline allowances;
- (b) specify the basis on which the Compressor emissions baseline allowances may be amended;

~~3.11.21.1.1~~ The effect of this condition is to:

- ~~(a)~~(c) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;(s) set out in Appendix 2; and
- ~~(b) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and~~
- (d) provide for an assessment of the Price Control Deliverable(s).

~~3.11.33.10.3~~ This is an Evaluative PCD.

~~3.11.43.10.4~~ This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.10.93.11.11 or 3.11.15.

Part A: Formulae for calculating the Compressor emissions Price Control Deliverable term (CEP_t) and the ~~compressor emissions Re-opener term (CEPRE_t)~~

~~3.11.53.10.5~~ The value of CEP_t is derived in accordance with the following formula:

$$CEP_t = \cancel{CEPA_t} - CEPO_t - CEPRA_t$$

~~where:~~

- ~~CEPA_t~~ means the sum of baseline allowances in Appendix 1; and
- ~~CEPRA_t~~ has the value zero unless otherwise directed by the Authority in accordance with Part F.

~~3.11.6~~ The value of CEPRE_t is derived in accordance with the following formula:

$$\cancel{CEPRE_t} = \cancel{CEPO_t} - \cancel{CEPRO_t}$$

where:

$CEPO_t$ means the baseline allowances directed in Appendix 1 as amended by the Authority as a result of the Re-opener established by in accordance with Part ED; and

~~CEPRO_t~~CEPRA_t has the value zero unless otherwise directed by the Authority in accordance with Part ~~FE~~.

~~**Part B: Part A: What is the licensee funded to deliver?**~~

Part B: What is the licensee funded to deliver?

3.11.73.10.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Not used

~~**Part C: Final Option Selection Report**~~

3.11.8 ~~Where specified in Appendix 2, the licensee must submit a Final Option Selection Report to the Authority to review and approve the Final Preferred Option.~~

Part D: Authority determination of baseline allowances ($CEPO_t$) and Price Control Deliverables

3.10.7 Baseline allowances and Price Control Deliverables for this Special Condition 3.10 are determined by the Authority by reference to Special Condition 3.11 (Compressor emissions Re-opener and Price Control Deliverables) of the gas transporter licence held by National Gas Transmission plc as in force on 31 March 2026 (the 'March 2026 Special Condition 3.11').

3.10.8 Where:

3.11.9 ~~the licensee applied~~The Final Option Selection Report must:

- ~~(a) be submitted in writing;~~
- ~~(b) be submitted by the delivery date specified in Appendix 2, or such other date directed by the Authority;~~
- ~~(c) include a proposed Final Preferred Option; and~~
- ~~(d) include such detailed supporting evidence including cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.~~

3.11.10 ~~The Authority will:~~

- ~~(a) approve the proposed Final Preferred Option;~~
- ~~(b) reject the proposed Final Preferred Option on the basis that the Authority considers no further work should go ahead at this time;~~
- ~~(c) reject the proposed Final Preferred Option and approve one of the other options in the Final Option Selection Report; or~~

- (d) ~~reject the proposed Final Preferred Option and set out additional information that should be provided to identify the best option before a resubmission of the Final Option Selection Report.~~

~~3.11.11 Before reaching a decision under paragraph 3.11.9, the Authority will publish on the Authority's Website:~~

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

Part D: Compressor Emissions Re-opener

~~3.11.12 The licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 1 in the application windows specified in Appendix 2 or during such other periods as the Authority directs.~~

~~3.11.13 An application under paragraph in accordance with Special Condition 3.11.11 must be made in writing to the Authority and include:~~

- ~~(a) the actual costs incurred to date;~~
- ~~(b) the amendments requested to the outputs, delivery dates or allowances in Appendix 2;~~
- ~~(c) the reasons for any amendments requested to Appendix 2;~~
- ~~(d) the basis of the costs and calculations for any amendments requested to allowances in Appendix 2; and~~
- ~~(e) such detailed supporting evidence including improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.~~
- ~~(f)(a) An application under paragraph March 2026 Special Condition 3.11.11 must also include; and~~
- ~~(g)(a) details of any fully tendered costs for the approved Final Preferred Option;~~
- ~~(h)(a) a Front End Engineering Design for the approved Final Preferred Option; and~~
- ~~(i) a full breakdown of development and equipment costs incurred to date for the project.~~

~~3.11.14 An application under paragraph 3.11.11 must:~~

- ~~(a) take account of any allowed expenditure, which can be avoided as a result of the amendments requested; and~~

~~(b) relate to costs incurred or expected to be incurred on or after 1 April 2021.~~

(b) the Authority did not make a direction in accordance with the March 2026 Special Condition 3.11 by 31 March 2026.

(c) the Authority may consider directing an amendment to the CEPO_t term and the Price Control Deliverables in accordance with the process set out in the March 2026 Special Condition 3.11.

Part E: Assessment of Price Control Deliverable (CEPRA_t and CEPRO_t)

~~3.11.15~~3.10.9 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for CEPRA_t and CEPRO_t where the licensee has not Fully Delivered an output in Appendix 2.

Part F: ~~What process will~~ Process the Authority will follow in making a direction?

~~3.11.16~~3.10.10 Before making a direction under paragraph 3.10.9~~3.11.11~~ or ~~3.11.15~~ 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~~ be up to 28 days unless the Authority determines that a longer period is appropriate.

~~3.11.17~~3.10.11 A direction under paragraph 3.10.9~~3.11.11~~ will set out any amendments to Appendix 2.

~~3.11.18~~3.10.12 A direction under paragraph 3.10.9~~3.11.15~~ will set out:

- ~~(a) the delivery status of the output that has not been Fully Delivered;~~
- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the CEPRA_t and CEPRO_t ~~term~~ term and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the CEPRA_t and CEPRO_t ~~term~~ term.

Appendix 1

Compressor emissions baseline allowances (CEPA_tCEPO_t) by Regulatory Year (£m)

Allowance (£m)						
	2026/27	2027/28	2028/29	2029/30	2030/31	Total Allowance (All years)
21/22						
22/23						

23/24 24/25 25/26 <u>2025/26 (in 2018/19 prices)</u>						
8.382N/A	34.51N/A	59.50N/A	-20.48N/A	1.01N/A	£123.88N/A	N/A

Appendix 2

Compressor emissions Price Control Deliverable by Regulatory Year (£m)

Output	Delivery Date	Re-opener application window <u>2025/26 (in 2018/19 prices)</u>	2026/27	2027/28	2028/29	2029/30	2030/31	Total Allowance (All years) (£m)
Hatton	Emissions compliant compressor procured for 41MW mechanical output power	03/2025N/A	N/A	65.40N/A	N/A	N/A	N/A	N/A

Wormington **Final Option** **05/2022** **11/2024** **14.38**

Selection Report

King's Lynn Final Option Selection 10/2022 04/2025 14.38

St Fergus Final Option Selection 12/2022 06/2025 20.08

Peterborough and Huntingdon Final Option Selection 12/2022 06/2025 9.65

Special Condition 3.12 King's Lynn subsidence Re-opener and Price Control Deliverable (KLS_t and KLSRE_t)

Introduction

3.12.1 The purpose of this condition is to calculate the terms KLS_t (the King's Lynn subsidence Price Control Deliverable term) and KLSRE_t (the King's Lynn subsidence Re-opener term). These contribute to the calculation of the Totex Allowance.

~~3.12.21.1.1~~ The effect of this condition is to:

- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
- (b) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and

~~(c) provide for an assessment of the Price Control Deliverable.~~

~~3.12.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.12.7 or 3.12.11.~~

**~~Part A: Formulae for calculating the King's Lynn
subsidence Price Control Deliverable term (KLS_t) and
the King's Lynn subsidence Re-opener term ($KLSRE_t$)~~**

~~3.12.4 The value of KLS_t is derived in accordance with the following formula:~~

$$~~KLS_t = KLSA_t - KLSRA_t~~$$

~~————— where:~~

~~$KLSA_t$ means the baseline allowances in Appendix 1; and~~

~~$KLSRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part D.~~

~~3.12.5 The value of $KLSRE_t$ is derived in accordance with the following formula:~~

$$~~KLSRE_t = KLSO_t - KLSRO_t~~$$

~~————— where:~~

~~$KLSO_t$ means the sum of allowances directed by the Authority as a result of the Re-opener established by Part C; and~~

~~$KLSRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part D.~~

~~Part B: Part A: What is the licensee funded to deliver?~~

~~3.12.6 1.1.1 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.~~

~~Part C: King's Lynn subsidence Re-opener~~

~~3.12.7 The licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 1 Between 25 March 2022 and 31 March 2022 or such other periods as the Authority may direct.~~

~~3.12.8 Before making an application under paragraph 3.12.7, the licensee must complete a Front End Engineering Design for remedial works to address subsidence at King's Lynn compressor station.~~

~~3.12.9 An application under paragraph 3.12.7 must be made in writing to the Authority and:~~

~~(a) set out the amendments requested to the outputs, delivery dates or allowances in Appendix 2;~~

~~(b) give the reasons for any amendments requested to Appendix 2;~~

(c) explain the basis of the calculations for any amendments requested to allowances in Appendix 2; and

(d) include such detailed supporting evidence including options assessment, improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.12.10 An application under paragraph 3.12.7 must:

~~(a) take account of any allowed expenditure, which can be avoided as a result of the amendments requested; and~~

~~(b) relate to costs incurred or expected to be incurred on or after 1 April 2021.~~

Part D: Assessment of Price Control Deliverable (KLSRA_t and KLSRO_t)

3.12.11 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for KLSRA_t and KLSRO_t where the licensee has not Fully Delivered an output in Appendix 2.

Part E: What process will the Authority follow in making a direction?

3.12.12 Before making a direction under paragraph 3.12.7 or 3.12.11 the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;

~~(b)(a) the reasons for the proposed direction; and
a period during which representations may be made on the proposed direction, which will~~

~~(c) not be less than 28 days.~~

3.12.13 A direction under paragraph 3.12.7 will set out any amendments to Appendix 2.

3.12.14 A direction under paragraph 3.12.11 will set out:

~~(a) the delivery status of the output that has not been Fully Delivered;~~

~~(b) the value of the KLSRA_t and KLSRO_t terms and the Regulatory Years to which those adjustments relate; and~~

~~(c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the KLSRA_t and KLSRO_t terms.~~

Appendix 1

King's Lynn subsidence baseline allowances (KLSA_t) by Regulatory Year

Allowance (£m)					Total Allowance (All years)
21/22	22/23	23/24	24/25	25/26	
1.16	0.00	-0.00	-0.00	-0.00	£1.16m

Appendix 2

King's Lynn subsidence Price Control Deliverable

Project	Output	Delivery Date	Re-opener application window	Total Allowance (all years) (£m)
King's Lynn subsidence	Delivery of Re- opener submission	31/03/2022	25/03/2022- 31/03/2022	1.16

Special Condition 3.13~~Special Condition 3.11~~ Funded incremental obligated capacity Re-opener and Price Control Deliverable and Re-opener (FIOC_t and FIOCRE_t)

Introduction

~~3.13.13.11.1~~ The purpose of this condition is to calculate the terms FIOC_t (the funded incremental obligated capacity Price Control Deliverable term) and FIOCRE_t (the funded incremental obligated capacity Re-opener term). These contribute to the Totex Allowance.

~~3.13.23.11.2~~ The effect of this condition is to:

- (a) specify at Appendix 1 the funded incremental obligated capacity baseline allowances;
- (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable; (s) set out in the funded incremental obligated capacity PCD table in Appendix 2;
- (c) establish a Re-opener for the licensee to apply for an adjustment to its allowed expenditure required to release Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that cannot be released by Entry Capacity Substitution or Exit Capacity Substitution;
- (d) provide for Cost And Output Adjusting Events;
- (e) provide for an assessment of the Price Control Deliverable; (s); and
- (f) establish the FIOC Guidance and Submissions Requirements Document.

3.11.3 This is an Evaluative PCD.

~~3.13.33.11.4~~ This condition also sets out the process the Authority will follow when directing any changes under ~~paragraph~~paragraphs 3.13.811.10, 3.13.11.12, 3.13.14 or 3.1311.15, and 3.11.16.

Part A: Formula for calculating the funded incremental obligated capacity Price Control Deliverable term ($FIOC_t$) and funded incremental obligated capacity Re-opener term (~~$FIOCRE_t$~~ $FIOCRE_t$)

~~3.13.43.11.5~~ The value of $FIOC_t$ is derived in accordance with the following formula:

$$FIOC_t = FIOCA_t - FIOCRA_t$$

where:

$FIOCA_t$ means the baseline allowances in Appendix 1; and

$FIOCRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

~~3.13.53.11.6~~ The value of $FIOCRE_t$ is derived in accordance with the following formula:

$$FIOCRE_t = FIOCO_t - FIOCRO_t$$

where:

$FIOCO_t$ means the sum of allowances directed by the Authority as a result of circumstances established in accordance with Parts C and D; and

$FIOCRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.11.7 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

~~Part B: Outputs and obligation to release capacity~~

~~3.13.63.11.8 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided. The licensee must release the capacity associated with the outputs in Appendix 2 in accordance with the terms of the relevant FIOC Project Direction.~~

Part C: Funded incremental obligated capacity ReLicensee trigger of the re-opener

Part C1: Release of Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity

3.11.9 Following notification of the publication of a notice under Part B of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution), the licensee must seek the Authority's approval of the

proposed FIOC Strategic Option. The licensee must act in accordance with the FIOC Guidance in making its submission.

~~3.13.73.11.10~~ Following the approval of the proposed FIOC Strategic Option from paragraph 3.11.9, the licensee may apply to the Authority for a FIOC Project Direction specifying an output, delivery date and associated allowances in Appendix 2 to allow the licensee to release Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that cannot be provided by Entry Capacity Substitution or Exit Capacity Substitution.

~~3.13.8~~—The licensee may only make an application under paragraph 3.13.8:

~~(a) once it has obtained the Authority's approval of the need for the proposed output to which the application relates; and~~

~~3.13.93.11.11 11.10~~ once it has secured any material planning consents in relation to the proposed output, unless the Authority otherwise directs.

~~3.13.10~~ The licensee may only seek approval under paragraph 3.13.9(a) after the end of the period of twelve months beginning with the date of the provision of the relevant notice to the Authority under Part B of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution), or such other date as the Authority may direct.

Part C2: Cost and Output Adjusting Events

~~3.13.113.11.12~~ The licensee may apply to the Authority for a direction adjusting the outputs, delivery dates and associated allowances in Appendix 2 where there has been a Cost And Output Adjusting Event if:

- (a) the licensee could not have reasonably foreseen the Cost And Output Adjusting Event;
- (b) the licensee could not have economically and efficiently planned a contingency for the Cost And Output Adjusting Event;
- (c) ~~the~~ the Cost And Output Adjusting Event has caused expenditure to increase or decrease by at least 20% relative to the relevant allowance in Appendix 2 or such other percentage as the Authority may direct (calculated before the application of the Totex Incentive Strength); and
- (d) the increase or decrease in expenditure is expected to be efficiently incurred or saved.

~~3.13.123.11.13~~ Except where the Authority by direction permits a later application, the licensee must make the application:

- (a) as soon as is reasonably practicable after the Cost And Output Adjusting Event has occurred; and
- (b) in any event, within the period of three months beginning with the end of the Regulatory Year in which the Cost And Output Adjusting Event occurred.

——— ~~but the Authority may by direction permit a later application.~~

~~3.13.13~~3.11.14 An application under paragraph ~~3.13.11.12~~ must be made in writing and must include:

- (a) detailed supporting evidence that a Cost And Output Adjusting Event which meets the requirements set out in paragraph ~~3.13.11.12~~ has occurred;
- (b) any additions, amendments or deletions requested to the outputs, delivery dates or allowances set out in Appendix 2;
- (c) the basis of the calculation for any amendments requested to allowances, which must be designed, so far as is reasonably practicable, to keep the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred; and
- (d) unless the Authority directs otherwise, a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the output, the proposed adjustments to the output, delivery dates or allowances fairly reflect the effects of the Cost And Output Adjusting Event.

Part D: Authority trigger of funded incremental obligated capacity Re-opener

~~3.13.14~~3.11.15 The Authority will also consider directing additions, amendments or deletions to the outputs, delivery dates and allowances in Appendix 2, without an application being made under paragraph ~~3.13.11.12~~, where it considers there has been a Cost And Output Adjusting Event meeting the requirements set out in paragraph ~~3.13.11.12~~(a) to (c).

Part D:Part E: Assessment of Price Control Deliverable (FIOCRA_t and FIOCRO_t)

~~3.13.15~~3.11.16 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for FIOCRA_t and FIOCRO_t where the licensee has not Fully Delivered an output in Appendix 2.

Part E:Part F: What process will Process the Authority will follow in making a direction?

~~3.13.16~~3.11.17 Before making a direction under paragraphs ~~3.13.8~~11.10, ~~3.13.11.12~~, ~~3.13.14~~11.15 or ~~3.13.15~~11.16, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction including;
- (b) the reasons for the proposed direction; and
- ~~(b)~~ a period during which representations may be made on the proposed direction, which will be up to 28 days unless the reasons for the proposed direction; and
- (c) Authority determines that a longer period during which representations may be made on the proposed direction, which will not be less than 28 days is appropriate.

~~3.13.17~~3.11.18 A FIOC Project Direction under paragraph ~~3.13.8~~11.10 will set out:

- (a) the amendments to Appendix 2; and
- (b) any project-specific Cost And Output Adjusting Events.

~~3.13.18~~3.11.19 A direction under paragraph ~~3.13.11~~11.12 or ~~3.13.14~~11.15 will set out any amendments to Appendix 2.

~~3.13.19~~3.11.20 A direction under paragraph ~~3.13.15~~11.16 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the FIOCRA_t and FIOCRO_t terms and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the FIOCRA_t and FIOCRO_t terms.

3.11.21 Any Re-opener and Price Control Deliverable direction issued by the Authority in accordance with this condition will distinguish between the transportation owner and the system operator allowance adjustments.

~~Part F:~~Part G: FIOC Guidance and Submissions Requirements Document

~~3.13.20~~3.11.22 The licensee must comply with the FIOC Guidance and Submissions Requirements Document when making an application under paragraph ~~3.13.8~~11.10 or seeking approval under paragraph ~~3.13.11~~9(a).

~~3.13.21~~3.11.23 The Authority will issue and amend the FIOC Guidance and Submissions Requirements Document by direction.

~~3.13.22~~3.11.24 The Authority will publish the FIOC Guidance and Submissions Requirements Document on the Authority's Website.

~~3.13.23~~3.11.25 The FIOC Guidance and Submissions Requirements Document will make provision about the detailed requirements for making applications and seeking approvals under Part C, including timings and documentary requirements.

~~3.13.24~~3.11.26 Before directing that the FIOC Guidance and Submissions Requirements Document comes into effect the Authority will publish on the Authority's Website:

- (a) the text of the proposed FIOC Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the FIOC Guidance and Submissions Requirements Document to come into effect; and
- (c) a period during which representations may be made on the proposed direction, which will ~~not be less than~~up to 28 days unless the Authority determines that a longer period is appropriate.

~~3.13.25~~3.11.27 Before directing an amendment to the FIOC Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended FIOC Guidance and Submissions Requirements Document;
- (b) the date the Authority intends the amended FIOC Guidance and Submissions Requirements Document to come into effect;
- (c) the reasons for the amendments to the FIOC Guidance and Submissions Requirements Document; and
- (d) a period during which representations may be made on the proposed direction, which will not be up to less than 28 days unless the Authority determines that a longer period is appropriate.

Appendix 1

Funded incremental obligated capacity baseline allowances (FIOCA_t) by Regulatory Year (£m)

Allowance (£m)					
21/22	2027/28	2028/29	2029/30	2030/31	Total Allowance (All years)
22/23					
23/24					
24/25					
25/26					
2026/27					
0.00	0.00	0.00	0.00	0.00	0.00

Appendix 2

Funded incremental obligated capacity Price Control Deliverable (£m)

Project	Output	Delivery Date	Total Allowance (all years) (£m)
N/A	N/A	N/A	0.00

~~Special Condition 3.14~~Special Condition 3.12 Asset health Re-opener (AH_t)

Introduction

~~3.14.13.12.1~~ The purpose of this condition is to calculate the term AH_t (the asset health term). This contributes to the calculation of the Totex Allowance.

~~3.14.2~~—The effect of this condition is to ÷

~~3.14.33.12.2~~ establish a Re-opener triggered by either for the licensee or ~~and the~~ Authority to adjust allowances for Valves, Compressor Cabs and Plant And Equipment for Regulatory Years commencing on 1 April 2023 to 1 April 2025; and fund:

~~(a) provide for the true up of costs incurred in Regulatory Years starting on 1 April 2021, 1 April 2022 and 1 April 2023.~~

~~(a) This~~ investments in control systems and impacted ancillary assets, AC accelerated corrosion related investment, valves intervention programmes and site assets intervention programmes; or

~~(b) other, new asset health related investment, should the need for it emerge during the Price Control Period.~~

~~3.14.43.12.3~~ The condition also ~~explains~~ sets out the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is Licensee trigger of the scope of this Re-opener?

~~3.14.53.12.4~~ The licensee may apply to the Authority for a direction:

(a) adjusting the value of the AH_t term; or

(b) adjusting the value of the $NARMAHO_t$ term; ~~or~~

~~(c) amending the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables~~

~~where it is seeking allowances for work relating to Valves, Compressor Cabs or Plant And Equipment in Regulatory Years commencing on 1 April 2023 to 1 April 2025.~~

Part B: When to make an application

~~(c)~~ where it is seeking allowances in relation to investments in control systems and impacted ancillary assets, AC accelerated corrosion related investment, valves intervention programmes and site assets intervention programmes, or other, new asset health related investment, should the need for it emerge during the Price Control Period.

~~3.14.63.12.5~~ The licensee may only apply to the Authority for an adjustment under paragraph 3.14~~12~~.4 ~~Between 25 January 2023 and 31 January 2023~~ 1 April 2027 and 7 April 2027, 1 April 2028 and 7 April 2028 and 1 April 2030 and 7 April 2030, or during such later periods as the Authority may direct.

Part C: How to make an application

~~3.14.73.12.6~~ An application under paragraph 3.14~~12~~.4 must be made in writing to the Authority and include:

(a) the actual costs incurred to date;

~~(a)~~ (b) the changes the licensee is requesting to:

i. the value of the AH_t term and the Regulatory Years to which that adjustment relates; and/or

- ii. the value of the NARMAHO_t term and the Regulatory Years to which that adjustment relates; ~~and~~
- iii. ~~the Asset Health Non-Lead Assets PCD Tables;~~
- ~~(b)~~(c) the basis of the calculation for the proposed adjustments to any allowances; and
- ~~(c)~~(d) such detailed supporting evidence, as set out in the Re-opener Guidance and Application Requirements Document, including justification of unit costs and volumes of work based on historical outturn data, benchmarking, actual condition information, cost benefit analysis, and updated engineering justification papers, as is reasonable in the circumstances.

~~3.14.83.12.7~~ 3.14.12.7 An application under paragraph 3.1412.4 must:

- (a) relate to ~~changes to the licensee's investment plan that have as developed since in accordance with the licensee submitted its GT Asset Health Plan to the Authority in December 2019;~~
- (b) to be relate to the costs incurred or expected forecast to be incurred that result in the Allowed Revenue Adjustments that exceed the Materiality Threshold; as a result of costs incurred or expected incurred; and
- (c) be confined to costs incurred or expected to be incurred on or after 1 April ~~2021~~2026.

~~Part D:~~Part B: Authority triggered trigger of the Re-opener

~~3.14.93.12.8~~ 3.14.12.8 The Authority will also consider directing:

- (a) an adjustment to the value of the AH_t term; and
- (b) an adjustment to the value of the NARMAHO_t term ~~;~~ and
- ~~(c) an amendment to the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables~~
without an application being made under paragraph 3.1412.4, ~~in relation to Allowed Revenue Adjustments that exceed the Materiality Threshold as a result of~~ where costs incurred or expected expected forecast to be incurred relating to Valves, Compressor Cabs or Plant And Equipment result in Allowed Revenue Adjustments that exceed the Materiality Threshold Between 1 April ~~2023~~2026 and 31 March ~~2026~~2031 that exceed 2031 relating to the Materiality Threshold scope (as set out in paragraph 3.12.4(c)) of this Re-opener.

Part E: Assessment of Years 1, 2 and 3

~~3.14.10~~ After the Regulatory Year starting on 1 April ~~2023~~, Process the Authority will assess costs relating to Valves, Compressor Cabs and Plant And Equipment for Regulatory Years commencing on 1 April ~~2021~~ 1 April 2022 and 1 April ~~2023~~ and direct:

- ~~(a) an adjustment to the value of the AH_t term;~~

~~(b) an adjustment to the value of the NARMAHO_t term; and~~

~~(c) an amendment to the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables~~

~~————— to reflect actual efficient costs and work volumes.~~

~~Part F:~~Part C: What process will the Authority follow in making a direction?

~~3.14.11~~3.12.9 Before making a direction under paragraph ~~3.14~~12.4, ~~or 3.14~~12.8 or ~~3.14.9~~ the Authority will publish on the Authority's Website:

~~(a) the text of the proposed direction;~~

~~(b) (a) 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.~~

(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 be up to 28 days unless the Authority determines that a longer period is appropriate.

~~3.14.12~~3.12.10 A direction under paragraph~~s~~ ~~3.14~~12.4, ~~or 3.14~~12.8 and ~~3.14.9~~:

(a) will set out any adjustments to the value of the AH_t term and the Regulatory Years to which that adjustment relates; and

(b) will set out any adjustments to the value of the NARMAHO_t term and the Regulatory Years to which that adjustment relates; and

~~(c) where any amendments are being made to the outputs, delivery dates or allowances in the Asset Health Non-Lead Assets PCD Tables, will replace the text in Appendix 2 to Special Condition 3.15 (Asset health – non-lead assets Price Control Deliverable).~~

Special Condition ~~3.15 Asset health – non-lead assets Price Control Deliverable (NLA_t and NLA AH_t)~~

Introduction

~~3.15.1~~ The purpose of this condition is to calculate the terms NLA_t (the asset health – non-lead assets Price Control Deliverable term) and NLA AH_t (the asset health – non-lead assets Re-opener term). These contribute to the calculation of the Totex Allowance.

~~3.15.2~~ The effect of this condition is to specify the outputs, delivery dates and associated allowances for the Price Control Deliverable.

~~3.15.3~~ This condition also sets out the process the Authority will follow when assessing the Price Control Deliverable.

~~Part A: Formulae for calculating the asset health – non-lead assets Price Control Deliverable term (NLAt) and the asset health – non-lead assets Re-opener term (NLAAHt)~~

~~3.15.4~~ The value of NLA_t is derived in accordance with the following formula:

$$NLA_t = NLAA_t - NLAR_t$$

~~—————~~ where:

$NLAA_t$ means the sum of allowances in the Asset Health Non-Lead Assets Baseline Allowances Table; and

$NLAR_t$ has the value zero unless otherwise directed by the Authority in accordance with Part C.

~~3.15.5~~ The value of $NLAAH_t$ is derived in accordance with the following formula:

$$NLAAH_t = NLAHO_t - NLAHR_t$$

~~=====~~ where:

$NLAHO_t$ means the sum of allowances directed by the Authority under paragraphs 3.14.4(c), 3.14.8(c) and 3.14.9(c) of Special Condition 3.14 (Asset health Re-opener); and

$NLAHR_t$ has the value zero unless otherwise directed by the Authority in accordance with Part C.

~~Part B: Part A: What is the licensee funded to deliver?~~

~~3.15.6~~ The Asset Health Non-Lead Assets PCD Tables specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

~~Part C: Assessment of Price Control Deliverable (NLARt)~~

~~3.15.7~~ The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for $NLAR_t$ where the licensee has not Fully Delivered an output in the Asset Health Non-Lead Assets PCD Tables.

~~Part D: What process the Authority will follow in making a direction~~

~~3.15.8~~ Before making a direction under paragraph 3.15.7 the Authority will publish on the Authority's Website:

~~(a) the text of the proposed direction;~~

~~(b)(a) 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.~~

3.15.9 A direction under paragraph 3.15.7 will set out:

- ~~(a) the delivery status of the output that has not been Fully Delivered;~~
- (b) the value of the $NLAR_t$ term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the $NLAR_t$ term.

Appendix 1

Title and publication date of document containing the Asset Health – Non-Lead Assets Baseline Allowances Table

Title	Publication Date
Final Determinations – RHIO-GT2 Non-lead assets PCD Annex	3 February 2021

Appendix 2

Title and publication date of document containing the Asset Health – Non-Lead Assets PCD Tables

Title	Publication Date
Final Determinations – RHIO-GT2 Non-lead assets PCD Annex (REVISED)	3 February 2021

~~Special Condition 3.16~~Special Condition 3.13 Redundant Assets Price Control Deliverable (RA_t)

Introduction

~~3.16.13.13.1~~ The purpose of this condition is to calculate the term RA_t (the Redundant Asset Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.13.2 The effect of this condition is to specify to:

- (a) specify at Appendix 1 the Redundant Assets baseline allowances;**
- ~~(a)(b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;~~ (s) set out in Appendix 21; and
- (c) provide for an assessment of the Price Control Deliverable(s).

3.13.3 This is an Evaluative PCD.

~~3.16.23.13.4~~ This condition also sets out the process the Authority will follow when assessing the Price Control Deliverable directing the changes under Paragraph 3.13.7.

Part A: Formula for calculating the Redundant Asset Price Control Deliverable term (RA_t)

~~3.16.33.13.5~~ The value of RA_t is derived in accordance with the following formula:

$$RA_t = RAA_t - RAR_t$$

where:

RAA_t means the **baseline sum of** allowances in the ~~Redundant Assets PCD Tables~~Appendix 1; and

RAR_t has the value zero unless otherwise directed by the Authority in accordance with Part ~~GE~~.

Part B: What is the licensee funded to deliver?

~~Part B: Part A: Appendix 12~~ **What is the licensee funded to deliver?**

~~3.16.43.13.6~~ The Redundant Assets PCD Tables specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Not used

Part D: Not used

Part E: Assessment of Price Control Deliverable (RAR_t)

~~3.16.53.13.7~~ The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for RAR_t where the licensee has not Fully Delivered an output in the ~~Redundant Assets PCD Tables~~Appendix 12.

Part F: ~~What process will~~ Process the Authority will follow in making a direction?

~~3.16.63.13.8~~ Before making a direction under paragraph ~~3.16.613.7~~ the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;

(b) the reasons for the proposed direction; and

(a) a period during which representations may be made on the proposed direction, which will be up to 28 days **unless the** text of the proposed direction;

(b)(c) the reasons for the proposed direction; and **a Authority determines that a longer period** during which representations may be made on the proposed direction, which will not be less than 28 days **is appropriate**.

~~3.16.73.13.9~~ A direction under paragraph ~~3.16.613.7~~ will set out:

(a) the delivery status of the output that has not been Fully Delivered;

- (b) the value of the RAR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the RAR_t term.

Appendix 1

Title and publication date of document containing the Redundant Assets PCD
Tables Baseline Allowance (£m)

Title <u>2026/27</u>	Publication Date <u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	Total Allowance (All years)
Final Determinations – RIIO-GT2 Redundant Assets PCD Annex (REVISED) <u>1.11</u>	15 December 2021 <u>2.49</u>	<u>4.75</u>	<u>6.28</u>	<u>17.39</u>	<u>32.02</u>

Uncertain Costs

Appendix 12

Outputs, delivery dates and associated allowances for the Price Control Deliverable (£m)

<u>Output</u>	<u>Delivery Date</u>	<u>Total Allowances</u>
As set out in the Final Determinations - RIIO-GT3 National Gas Transmission plc Redacted Information Document Redundant Assets PCD confidential annex	31 March 2031 <u>16</u>	Have the values given in the Final Determinations - RIIO-GT3 National Gas Transmission plc Redacted Information Document Redundant Assets PCD confidential annex

Special Condition 3.17 Special Condition 3.14 Pipeline Diversions Re-opener (QL_t and PD_t)

Introduction

3.17.13.14.1 The purpose of this condition is to calculate the terms QL_t (Quarry and Loss Development Claim Costs) and the PD_t (Pipeline Diversion Costs). These contribute to the calculation of the Totex Allowance.

3.17.23.14.2 The effect of this condition is to establish a Re-opener triggered by either the licensee or the Authority where Uncertain Costs have resulted in

material changes to Quarry and Loss Development Claim Costs and Pipeline Diversion Costs.

~~3.17.3.14.3~~ This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of the Re-opener?

~~3.17.4.3.14.4~~ The licensee~~This Re-opener may apply~~be used in relation to the Authority for a direction adjusting adjustments to:

- (a) the value of the QL_t ~~term~~term in relation to Quarry and Loss Development Claim Costs; or
- (b) the value of the PD_t term in relation to Pipeline Diversion Costs.

~~Part B: When to make an application~~

~~3.17.5~~ ~~The licensee may only make an application under paragraph 3.17.4:~~

- ~~(a) Between 25 January 2023 and 31 January 2023 in relation to Quarry and Loss Development Claim Costs; and~~
- ~~(b) Between 25 January and 31 January in any Regulatory Year during the Price Control Period in relation to Pipeline Diversion Costs.~~

~~Part C: How to make an application~~

~~3.17.6~~ ~~An application under paragraph 3.17.4 must be made in writing to the Authority and include:~~

- ~~(a) a statement of the Uncertain Costs to which the application relates;~~
- ~~(b) the adjustments to either the QL_t or PD_t terms that the licensee is requesting and the Regulatory Years to which those adjustments relate;~~
- ~~(c) the basis of the calculation for the proposed adjustments to the value of the QL_t or PD_t term; and~~
- ~~(d) such detailed supporting evidence, including improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments and engineering justification papers, as is reasonable in the circumstances and relevant to the Uncertain Costs in question.~~

~~3.17.7~~ ~~An application under paragraph 3.17.4 must:~~

- ~~(a) take account of any allowed expenditure that relates to the Uncertain Costs;~~
- ~~(b) relate to costs incurred or expected to be incurred that for each of the Uncertain Costs applied for exceed the Materiality Threshold; and~~
- ~~(c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.~~

Part D: Part B: Authority triggered Re-opener

~~3.17.83.14.5~~ The Authority will ~~also~~ consider directing an adjustment to the QL_t and PD_t terms ~~without an application being made under paragraph 3.17.4, at any time during the Price Control Period~~ where it considers that the licensee has incurred or is likely to incur Uncertain Costs that:

- (a) ~~for each of the Uncertain Costs~~ relate to result in ~~question the Allowed Revenue Adjustments that~~ exceed the Materiality Threshold; and
- (b) were incurred or are expected to be incurred on or after 1 April ~~2021~~ 2026.

Part E: Part C: True up of actual costs-

~~3.17.93.14.6~~ After the Price Control Period, the Authority will direct an adjustment to the QL_t and PD_t term to reflect actual efficient costs.

Part F: Part D: What process will Process the Authority will follow in making a direction ?

~~3.17.103.14.7~~ Before making a direction under paragraph 3.17.4, ~~3.17.814.5~~ or ~~3.17.914.6~~ 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

3.14.8 The direction will set out any adjustments to the value of the QL_t and PD_t terms and the Regulatory Years to which those adjustments relate.

Special Condition 3.15 Biomethane use it or lose it allowance (BIOC_t)

Introduction

3.15.1 The purpose of this condition is to calculate the term $BIOC_t$ (the Biomethane use it or lose it allowance). This contributes to the calculation of the Totex Allowance.

3.15.2 The effect of this condition is to:

- (a) specify the Biomethane use it or lose it allowance;
- (b) provide for a Use It Or Lose It Adjustment; and
- (c) require the licensee to comply with the Biomethane UIOLI Governance Document; and
- (d) establish a process for review of the licensee's management of Biomethane Connections.

3.15.3 This condition also explains the process the Authority will follow when issuing or amending the Biomethane UIOLI Governance Document.

Part A: Formula for calculating the Biomethane use it or lose it term (BIOC_t)

3.15.4 The value of BIOC_t is derived in accordance with the following formula:

$$BIOC_t = BIOCA_t - BIOCR_t$$

where:

BIOCA_t means the allowances in Appendix 1 that relate to the licensee; and

BIOCR_t has the value zero unless otherwise directed by the Authority in accordance with Part B.

Part B: Use It Or Lose It Adjustment

3.15.5 The Authority will direct an amendment to the value of BIOCR_t where it considers that a Use It Or Lose It Adjustment is appropriate.

Part C: Cap of the Use it or lose it allowance per Biomethane Connection

3.15.6 Usage of Tt the allowances specified in Appendix 1 must not exceed £2m per Biomethane Connection onto the NTS.

Part D: Biomethane UIOLI Governance Document

3.15.7 The licensee must comply with the Biomethane UIOLI Governance Document when incurring expenditure in relation to the allowance provided by this licence condition.

3.15.8 The Authority will issue and amend the Biomethane UIOLI Governance Document by direction.

3.15.9 The Authority will publish the Biomethane UIOLI Governance Document on the Authority's Website.

3.15.10 The Biomethane UIOLI Governance Document will make provision about the governance and administration of the Biomethane UIOLI allowance, including:

- (a) allowable Biomethane use it or lose it UIOLI expenditure and unrecoverable Biomethane use it or lose it UIOLI expenditure;
- (b) the eligibility criteria, which expenditure incurred in relation to the allowance provided by this licence condition must meet; and
- (c) the reporting obligations in respect of which expenditure incurred in relation to Biomethane use it or lose it must meet.

3.15.11 Before directing that the Biomethane UIOLI Governance Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed amendments to the Biomethane UIOLI Governance Document;

- (b) the date on which the Authority intends the Biomethane UIOLI Governance Document to come into effect; and
- (c) a period during which representations may be made on the content of the Biomethane UIOLI Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.15.12 Before directing an amendment to the Biomethane UIOLI Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended Biomethane UIOLI Governance Document;
- (b) the date on which the Authority intends the amended Biomethane UIOLI Governance Document to come into effect;
- (c) the reasons for the amendments to the Biomethane UIOLI Governance Document; and
- (d) a period during which representations may be made on the amendments to the Biomethane UIOLI Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part E: Process the Authority will follow in making a direction

3.15.13 Before making a direction under paragraph 3.15.5, 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

~~3.17.111.1.1 The direction will set out any adjustments to the value of the QL_t and PD_t terms and the Regulatory Years to which those adjustments relate.~~

Special Condition 3.18 Opex escalator (OE_t)

Introduction

3.15.14 The direction will set out the value of the BIOCR_t term and the Regulatory Years to which that adjustment relates.

Part F: Review by the Authority

3.15.15 In the Regulatory Year commencing on 1 April 2027, the Authority may review the licensee's management of Biomethane Connections, including the costs incurred by the licensee as part of this activity.

3.15.16 The review may also include, but not be limited to, review of the cap per Biomethane Connection, the total allowances in Appendix 1 and the review of the Biomethane UIOLI Governance Document. The Authority will discuss the scope of and timescale for undertaking the review with the licensee.

3.15.17 Upon completion of the review, the Authority will set out any further steps which it considers appropriate in relation to the licensee's management of Biomethane Connections, including any need for modifications under section 23 of the Act.

Appendix 1

Biomethane allowance (£m)

<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>20.00</u>

Special Condition 3.16 Compressor Breakdown use it or lose it allowance (CBD_t)

Introduction

3.18.13.16.1 The purpose of this condition is to calculate the OE_t term (the opex escalator term). CBD_t (the Compressor Breakdown use it or lose it allowance). This contributes to the calculation of the Totex Allowance.

3.16.2 The effect of this condition is to provide additional to:

(a) specify the allowance for capital expenditure allowed under particular uncertainty mechanisms the Compressor Breakdown use it or lose it allowance;

(a)(b) provide for a Use It Or Lose It Adjustment.

Part A: Formula for calculating the opex escalator Compressor Breakdown UIOLI term (OE_tCBD_t)

3.18.23.16.3 The value of OE_tCBD_t is derived in accordance with the following formula:

$$OE_t = 73.4\% \times BCI \times \frac{UMTERM_t}{BCAPEX}$$

$$CBD_t = CBDA_t - CBDR_t$$

where:

UMTERM_t has the value derived in accordance with the formula in paragraph 3.18.4;

BCI means the baseline allowance for closely associated indirect opex and has the value £239.26m; and

BCAPEX means the baseline allowance for capex and has the value £761.3m.

the

CBDA_t means the allowances in Appendix 1 that relate to the licensee; and

$CBDR_t$ has the value zero unless otherwise directed by the Authority in accordance with Part B.

Part B: Use It Or Lose It Adjustment

3.18.3—The Authority will direct an amendment to the value of 3.15.5 $UMTERM_t$ is derived in accordance with the following formula:

$$UMTERM_t = BTRE_t + CEPRE_t + KLSRE_t + FIOCRE_t + AH_t$$

$CBDR_t$ where

- $BTRE_t$ has the meaning given in Part A of Special Condition 3.10 (Bacton terminal site development Re-opener and Price Control Deliverable);
- $CEPRE_t$ has the meaning given in Part A of Special Condition 3.11 (Compressor emissions Re-opener and Price Control Deliverable);
- $KLSRE_t$ has the meaning given in Part A of Special Condition 3.12 (King's Lynn subsidence Re-opener and Price Control Deliverable);
- $FIOCRE_t$ has the meaning given in Part A of Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable); and
- AH_t has the value zero unless directed otherwise in accordance with Special Condition 3.14 (Asset health Re-opener).

Chapter 4: ~~3.20.4~~Output delivery incentives

Special Condition ~~4.1~~ Total output delivery incentive performance (ODI_t)

Introduction

~~4.1.1~~—The purpose of this condition is to calculate ODI_t (the output delivery incentives term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

~~4.1.2~~—The effect is to produce a total of individual ODI terms.

Part A: Formula for calculating total output delivery incentive performance

~~4.1.31.1.1~~—The value of ODI_t is derived in accordance with the following formula:

$$ODI_t = CSI_t + ESI_t$$

—where:

CSI_t is derived in accordance with Special Condition 4.2; and

ESI_t is derived in accordance with Special Condition 4.3.

Special Condition ~~4.2~~Special Condition 1.1 Customer satisfaction survey output delivery incentive (CSI_t)

Introduction

~~4.2.11.1.1~~—The purpose of this condition is to provide for the calculation of the term CSI_t (the customer satisfaction output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

~~4.2.21.1.1~~—The effect of the condition is to reward or penalise the licensee in relation to its performance under the customer satisfaction survey output delivery incentive.

Formula for calculating the customer satisfaction incentive (CSI_t)

~~4.2.31.1.1~~—The value of CSI_t is derived in accordance with the following formula:

$$CSI_t = EABR \times CSAF_t$$

where:

EABR means Ex-Ante Base Revenue; and

$CSAF_t$ means the revenue adjustment factor based on the licensee's customer satisfaction survey performance in Regulatory Year t , derived in accordance with the following formula:

————— If $CSP_t > CST$:

$$CSAF_t = \min \left[CSUPA, CSUPA \times \left(\frac{CSP_t - CST}{CSCAP - CST} \right) \right]$$

————— If $CSP_t < CST$:

$$CSAF_t = \max \left[CSDPA, CSDPA \times \left(\frac{CST - CSP_t}{CST - CSCOL} \right) \right]$$

===== where:

CSP_t is the overall average customer satisfaction survey result in Regulatory Year t ;

CST is the customer satisfaction survey target, and has the value 7.8;

$CSCAP$ is the customer satisfaction survey cap, and has the value 8.5;

$CSUPA$ is the customer satisfaction maximum upside percentage adjustment, and has the value 0.5%;

$CSCOL$ is the customer satisfaction survey collar, and has the value 7.1; and

$CSDPA$ is the customer satisfaction maximum downside percentage adjustment, and has the value 0.5%.

Customer satisfaction surveys

4.2.4 — The licensee must, unless the Authority otherwise consents, carry out a survey at least once in each Regulatory Year to assess customer satisfaction with its Licensed Activity.

4.2.5 3.16.4 — The licensee may include such questions in the survey as it considers that a Use It Or Lose It Adjustment is appropriate, but:

(a) the survey must include a question that asks for overall customer satisfaction to be rated on a scale of 1-10, where 1 is low and 10 is high; and

4.2.6 — The question must be framed as “based on your experience of the [service touchpoints — see Appendix 1] you received/attended, how satisfied are you with National Grid Gas?”.

4.2.7 — The licensee must share the results of this survey with the Authority.

Appendix 1

Service touchpoints

4.2.8 — The following service touchpoints may be used in the question in paragraph 4.2.5:

- ~~(a) Planning application service~~
- ~~(b) Gas construction service~~
- ~~(c) Gas markets policy and change service~~
- ~~(d) Connections service~~
- ~~(e) Disconnections service~~
- ~~(f) Diversions service~~
- ~~(g) Gas National Control Centre (GNCC) service~~
- ~~(h) Day to day account management~~
- ~~(i) Energy balancing services (including allocations, measurements)~~
- ~~(j) Maintenance service~~
- ~~(k) Specific [Event/Engagement/Forum] name~~
- ~~(l) Capacity Auction service~~

~~Special Condition 4.3 Environmental scorecard output delivery incentive (ESI_t)~~

Process Introduction

- ~~4.3.1 — The purpose of this condition is to calculate the term ESI_t (the environmental scorecard output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).~~
- ~~4.3.2 — The effect of this incentive is to reward or penalise the licensee for its performance in seven environmental areas as compared to annual improvement thresholds.~~
- ~~4.3.3 — This condition also sets out the process that the Authority will follow to update the value EGI_t and the baseline measure for Environmental Net Gain as set out in Appendix 1.~~

~~Part A: Process for updating Environmental Net Gain incentive rate (EGI_t)~~

- ~~4.3.4 — The value of EGI_t will be zero and the Environmental Net Gain baseline will not be set, until such time as the Authority directs otherwise.~~
- ~~4.3.5 — The licensee may request that the Authority make~~making ~~a direction under paragraph 4.3.4 by submitting an application to the Authority in writing setting out:~~
 - ~~(a) the proposed value for the term EGI_t;~~

(b) the proposed baseline measure for Environmental Net Gain; and

~~Part B:~~Part C: justification for the proposals under sub-paragraphs (a) and (b).

~~4.3.6~~3.16.5 Before making a direction under ~~paragraphs 4,~~paragraph 3.16.4, the Authority will publish on the Authority's ~~Website~~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, be up to 28 days~~ **unless the Authority determines that a longer period is appropriate.**

~~4.3.7~~—~~A~~The direction under ~~paragraph 4.3.4~~ will set out:

- ~~(a) amendments to this condition to set out:~~
 - i. ~~the value for~~of the CBD_{R,t} term EG_{I,t}; and
 - ii. ~~the baseline measure for Environmental Net Gain; and~~

~~4.3.8~~3.16.6 ~~the date from which the direction is to have effect, which will not be before the first day of the~~ the Regulatory Year following the making of the direction. Years to which that adjustment relates.

~~Part C: Formula for calculating the environmental scorecard output delivery incentive term (ES_{I,t})~~

~~4.3.9~~—The value of ES_{I,t} is derived in accordance with the following formula:

$$ESI_t = [OT_t + BM_t + WR_t + OW_t + WU_t + EV_t + EG_t] \times TIS$$

where:

Appendix 1

Compressor Breakdown allowance (£m)

	means the value of the operational transport emissions component of the environmental scorecard incentive derived in accordance with the				
OT_t <u>2026/27</u>		2028/29	2029/30	2030/31	Total

	following formula: $= OTI_t$, if OTA_t $\leq OTTR_t$; $= -OTI_t$, if OTA_t $\geq OTTP_t$; otherwise has the value zero; <u>2027/28</u>				
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OTI_t	means the incentive for operational transport emissions and has the value set out in Appendix 1;
OTA_t	means the percentage change in the licensee's operational transport emissions compared to baseline levels in Appendix 3;
$OTTR_t$	means the reward threshold for operational transport emissions and has the value set out in Appendix 2;
$OTTP_t$	means the penalty threshold for operational transport emissions and has the value set out in Appendix 2;
BM_t	means the value for the business mileage emissions component of the environmental scorecard incentive derived in accordance with the following formula: $= BMI_t$, if $BMA_t \leq BMTR_t$; $= -BMI_t$, if $BMA_t \geq BMTP_t$; otherwise has the value zero;
BMI_t	means the incentive for business mileage emissions and has the value set out in Appendix 1;
BMA_t	means the percentage change in the licensee's total business mileage emissions compared to baseline levels in Appendix 3;
$BMTR$	means the reward threshold for business mileage emissions and has the value set out in Appendix 2;
$BMTP$	means the penalty threshold for business mileage emissions and has the value set out in Appendix 2;
WR_t	means the value for the waste recycling component of the environmental scorecard incentive derived in accordance with the following formula: $= WRI_t$, if $WRA_t \geq WRTR_t$; $= -WRI_t$, if $WRA_t \leq WRTP_t$; otherwise has value the zero;
WRI_t	means the incentive for waste recycling and has the value set out in Appendix 1;
WRA_t	means the percentage of the licensee's operational and office waste that is recycled;
$WRTR$	means the reward threshold for waste recycling and has the value set out in Appendix 2;
$WRTP$	means the penalty threshold for waste recycling and has the value set out in Appendix 2;
OW_t	means the value for the office waste reduction component of the environmental scorecard incentive derived in accordance with the following formula: $= OWI_t$, if $OWA_t \leq OWTR_t$;

	$= -OWI_t, \text{ if } OWA_t \geq OWTP_t;$ <p>otherwise has the value zero;</p>
OWI_t	means the incentive for office waste reduction and has the value set out in Appendix 1;
OWA_t	means the percentage change in the waste generated at the Licensee's Offices compared to baseline levels in Appendix 3, provided that for the Warwick site, the amount of waste generated will be attributed to the licensee and other parties in proportion with the capex allocation (as notified by the licensee to the Authority) for each party residing at the site;
$OWTR$	means the reward threshold for office waste reduction and has the value set out in Appendix 2;
$OWTP$	means the penalty threshold for office waste reduction and has the value set out in Appendix 2;
WU_t	<p>means the value for the water use reduction component of the environmental scorecard incentive derived in accordance with the following formula:</p> $= WUI_t, \text{ if } WUA_t \leq WUTR_t;$ $= -WUI_t, \text{ if } WUA_t \geq WUTP_t;$ <p>otherwise has the value zero;</p>
WUI_t	means the incentive for water use reduction and has the value set out in Appendix 1;
WUA_t	means the percentage change in the volume of [scope to be defined eg construction/operational/office] water use compared to the baseline levels in Appendix 3, provided that for the Warwick site, the amount of water use will be attributed to the licensee and other parties in proportion with the capex allocation (as notified by the licensee to the Authority) for each party residing at the site;
$WUTR$	means the reward threshold for water use reduction and has the value set out in Appendix 2;
$WUTP$	means the penalty threshold for water use reduction and has the value set out in Appendix 2;
EV_t	means the value for the Environmental Value component of the environmental scorecard incentive.
	<p>For years 2021/22 to 2024/25, EV_t is derived in accordance with the following formula:</p> $= EVPC_t + EVCOR_t$
	<p>For the final year of the Price Control Period, 2025/26, it is derived in accordance with the following formula:</p> $= -4 * EVI_t - EVCOM_{t-1}, \text{ if } \sum_{2021/22}^t EVA_t * 100 < 6,$ $= (\text{Min}(\sum_{2021/22}^t EVA_t * 100, 14) - 10) * EVI_t - EVCOM_{t-1} \text{ in all other cases};$
$EVPC_t$	<p>means the valuation of the annual change in Environmental Value and is derived in accordance with the following formula:</p> $= EVI_t * (EVTP_t - EVTT_t) * 100, \text{ if } EVA_t \leq EVTP_t;$ $= EVI_t * (EVTR_t - EVTT_t) * 100, \text{ if } EVA_t \geq EVTR_t;$

EVI_t otherwise has the value of zero;
means the incentive for Environmental Value and has the value set out in Appendix 1;

$EVT_{t-2.08}$	4.0 32	means the baseline Environmental Value target which is equal to 1% in year 2021/2022 and otherwise has the value of 2.25%; 2.78	5.35	5. 3029	19.5 42
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EVR_t means the reward threshold for Environmental Value and has the value set out in Appendix 2;

$EVTP_t$ means the penalty threshold for Environmental Value and has the value set out in Appendix 2;

EVA_t means the annual percentage change in the Environmental Value of the licensee's non-operational land compared to the baseline levels in Appendix 3;

$EVCOR_t$ means the correction factor for the Environmental Value component derived in accordance with the following formula:

$$= \text{MIN} [-(EVCOR_{t-1} + EVPC_t), (EVA_t - EVT_{t-1}) * 100 * EVI_t]; \text{ if } EVCOR_{t-1} + EVPC_t < 0 \text{ AND } EVA_t > EVT_{t-1}$$

$$= \text{MAX} [EVCOR_{t-1} + EVPC_t, (EVA_t - EVT_{t-1}) * 100 * EVI_t]; \text{ if } (EVCOR_{t-1} + EVPC_t) > 0 \text{ AND } EVA_t < EVT_{t-1}$$

$EVCOR_t$ otherwise has the value zero;
means the cumulative calculated value of the Environmental Value component over the Price Control Period as derived in accordance with the following formula:

$$= \sum_{2021/22}^t EV_t$$

EG_t means the value for the Environmental Net Gain component of the environmental scorecard incentive derived in accordance with the following formula:

$$= EGR_t + EGP_t$$

EGR_t means the value of reward for all Qualifying Projects that have met or exceeded the reward threshold and is derived in accordance with the following formula:

$$= NR_t * EGI_t$$

EGP_t otherwise has the value zero;
means the value of penalty for all Qualifying Projects that have achieved equal to or less than the penalty threshold and is derived in accordance with the following formula:

$$= NP_t * EGI_t$$

	otherwise has the value zero;
NR_t	means the number of Qualifying Projects that have met or exceeded the reward threshold ($EGTR_t$) in the Regulatory Year and otherwise has the value zero;
NP_t	means the number of Qualifying Projects that have achieved equal to or less than the penalty threshold ($EGTP_t$) in the Regulatory Year and otherwise has the value zero;
EGI_t	means the incentive for Environmental Net Gain and has the value set out in Appendix 1;
$EGTR_t$	means the reward threshold for Environmental Net Gain and has the value set out in Appendix 2;
$EGTP_t$	means the penalty threshold for Environmental Net Gain and has the value set out in Appendix 2; and
TIS	means the Totex Incentive Strength.

Special Condition 3.17 Nitrogen sleeves Price Control Deliverable (RNS_t and GNS_t)

Introduction

3.17.1 The purpose of this condition is to calculate the terms RNS_t (the nitrogen sleeve remediation - minor Price Control Deliverable term) and GNS_t (the nitrogen sleeve - grouting Price Control Deliverable term). These contribute to the calculation of the Totex Allowance.

3.17.2 The effect of this condition is to:

- (a) specify at Appendix 1 the baseline allowances for the nitrogen sleeves;
- (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in the nitrogen sleeves **Price Control Deliverable PCD Table** in Appendix 2; and
- (c) provide for an assessment of the Price Control Deliverables.

3.17.3 This is a Mechanistic PCD.

Part A: Formula for calculating the nitrogen sleeves Price Control Deliverable term

Part A1: Formula for calculating the nitrogen sleeve remediation - minor Price Control Deliverable term (RNS_t)

3.17.4 The value of RNS_t is derived in accordance with the following formula:

$$RNS_t = RNSA_t - RNSRA_t$$

where:

$RNSA_t$ means the baseline allowances in Appendix 1, row 1; and

$RNSRA_t$ has the value determined in accordance with Part C1.

Part A2: Formula for calculating the nitrogen sleeve – grouting Price Control Deliverable term (GNS_t)

3.17.5 The value of GNS_t is derived in accordance with the following formula:

$$GNS_t = GNSA_t - GNSRA_t$$

where:

$GNSA_t$ means the baseline allowances in Appendix 1, row 2; and

$GNSRA_t$ has the value determined in accordance with Part C2.

Part B: What is the licensee funded to deliver?

3.17.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of Price Control Deliverables ($RNSRA_t$ and $GNSRA_t$)

Part C1: Assessment of the nitrogen sleeve remediation – minor Price Control Deliverable ($RNSRA_t$)

3.17.7 The value of $RNSRA_t$ is derived in accordance with the following formula:

$$RNSRA_t = (RNSV_t - RNSDV_t) \times RNSUC_t$$

where:

$RNSV_t$ means the volume of nitrogen sleeves remediation for the Price Control Deliverable specified in the nitrogen sleeves Price Control Deliverable PCD Table in Appendix 2.

$RNSDV_t$ means the volume of nitrogen sleeves remediation delivered in Regulatory Year t.

$RNSUC_t$ means the costs in respect of remediation specified in the table below:

<u>Regulatory Year</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>
<u>Remediation (£m)</u>	<u>Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.</u>	<u>Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.</u>	<u>Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.</u>	<u>Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.</u>	<u>Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.</u>

[illegible]

	on - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	on - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	on - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	on - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	on - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	National Gas Transmission plc Redacted Information Document.
Total	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.

Appendix 2

Nitrogen sleeves Price Control DeliverablePCD

<u>Output</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total volume</u>
<u>Remediation of 350 nitrogen sleeves RNSV_t</u>	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	<u>350</u>
<u>Grouting of 105 Nitrogen Sleeves GNSV_t</u>	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	Redacted-As set out in the Final Determination - RIIO-GT3 National Gas Transmission plc Redacted Information Document.	<u>105</u>

Special Condition 3.18 West import resilience project Price Control Deliverable and Re-opener (WIRP_t and WIRPRO_t)

Introduction

3.18.1 The purpose of this condition is to calculate the terms WIRP_t (the west import Resilience Pproject Price Control Deliverable term) and WIRPRO_t (the west import Resilience Pproject Re-opener). Theseis contributes to the calculation of the Totex Allowance.

3.18.2 The effect of this condition is to:

- (a) specify at Appendix 1 the Wwest import resilience project baseline allowances;
- (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable(s) set out in Appendix 2;
- (c) establish a Re-opener for the licensee and the Authority to trigger amendments to the Price Control Deliverable(s) during the Price Control Period; and
- (d) provide for an assessment of the Price Control Deliverable(s).

3.18.3 This is an Evaluative PCD.

3.18.4 The condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.18.8 and 3.18.12.

Part A: Formulae for calculating the Wwest import resilience project Price Control Deliverable term (WIRP_t) and the Wwest import resilience project Re-opener term (WIRPRO_t)

3.18.5 The value of WIRP_t is derived in accordance with the following formula:

$$WIRP_t = WIRPA_t - WIRPR_t$$

where:

WIRPA_t means the sum of baseline allowances in Appendix 1; and

WIRPR_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.18.6 The value of WIRPRO_t is derived in accordance with the following formula:

$$WIRPRO_t = WIRPROO_t - WIRPROOR_t$$

where:

WIRPROO_t means the allowances directed by the Authority as a result of the circumstances established by Part C; and

WIRPROOR_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.18.7 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Licensee trigger of the Re-opener

3.18.8 The licensee may apply to the Authority for a direction adding, amending or deleting outputs, delivery dates or allowances in Appendix 2 in relation to increases in costs above the Materiality Threshold incurred by the licensee:

- (a) under any contract it has for the carrying out of works to complete the west import resilience project provided such costs are not due to any fault on the part of the licensee;
- (b) for associated works to pressure uprate Feeder 28, refurbish Wormington impeller and deliver an intervention on Felindre vent stack to maintain safe operational capability. purchase Felindre vent stack.

3.18.9 The licensee may only apply to the Authority for a direction under paragraph 3.18.8 Between 1 April 2027 and 7 April 2027; 1 April 2028 and 7 April 2028; and such other periods as the Authority may direct.

3.18.10 An application under paragraph 3.18.8 must be made in writing to the Authority and include:

- (a) the actual costs incurred to date;
- (b) the amendments requested to add, amend or delete outputs, delivery dates or allowances in Appendix 2;
- (c) the reasons for any amendments requested to Appendix 2;
- (d) the basis of the costs and calculations for any additions, amendments or deletions requested to allowances in Appendix 2; and
- (e) such detailed supporting evidence, as set out in the Re-opener Guidance and Application Requirements Document, including justification of unit costs and volumes of work based on historical outturn data, benchmarking, actual condition information, Cost-Benefit Analysis, and updated engineering justification papers, as is reasonable in the circumstances.

3.18.11 An application under paragraph 3.18.8 must:

- (a) take account of any allowed expenditure, which can be avoided as a result of the amendments requested; and
- (b) relate to costs incurred or expected to be incurred after the Business Plan submission.

Part D: Not used

Part E: Assessment of Price Control Deliverable (WIRPR_t and WIRPROOR_t)

3.18.12 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment

principles and reporting requirements), consider directing a value for WIRPR_t and WIRPROOR_t where the licensee has not Fully Delivered an output in Appendix 2.

Part F: Process the Authority will follow in making a direction

3.18.13 Before making a direction under paragraphs 3.18.8 and 3.18.12 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

3.18.14 A direction under paragraph 3.18.8 will set out in full the Price Control Deliverable(s) table as amended.

3.18.15 A direction under paragraph 3.18.12 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the WIRPR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the WIRPR_t term.

Appendix 1

West import resilience project Baseline Allowances (WIRP_t) by Regulatory Year (£m)

<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
13.7653	20.2519.96	43.6142.78	7.2713	0.02	84.9183.32

Appendix 2

Outputs, delivery dates and associated allowances for the Price Control Deliverable (£m)

<u>Output</u>	<u>Delivery Date</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total Allowances</u>
<u>Component 1:</u> <u>Constructing 9km of 900mm pipeline (75 Barg) between Wormington and Honeybourne</u> <u>Component 2:</u> <u>Constructing 2km of 900mm pipeline (70</u>	<u>31/12/2028</u>	<u>13.7653</u>	<u>20.2519.96</u>	<u>43.6142.78</u>	<u>7.2713</u>	<u>0.02</u>	<u>84.9183.32</u>

<u>Barg) between Churchover Compressor Tee and Multijunction</u>							
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Special Condition 3.19 Gas Strategic Planning Re-opener (GSPR_t)

Introduction

3.19.1 The purpose of this condition is to calculate the term GSPR_t (the Gas Strategic Planning Re-opener term). This contributes to the calculation of the Totex Allowance.

3.19.2 The effect of this condition is to establish a Re-opener triggered by the Authority to adjust allowances for investment in infrastructure due to alignment with wider energy plans for Regulatory Years commencing on 1 April 2026 to 31 March 2031.

3.19.3 This condition also sets out the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

3.19.4 This Re-opener may be used where:

- (a) a Gas Strategic Planning need has been identified by the ISOP, or is expected to occur;
- (b) there is an investment need to mitigate the risks from High Impact Point of Failure in respect of the NTS;
- (c) there is an investment need to deliver Clean Power 2030 Action Plan in respect of the NTS;
- (d) the effect of the Gas Strategic Planning on the cost of a Licensed Activity is not otherwise provided for in this licence; and
- (e) the effect of the Gas Strategic Planning need has not already been assessed under another Re-opener.

3.19.5 The Authority may make modifications under this Re-opener at any time during the Price Control Period.

3.19.6 Modifications to the licence may be made under this Re-opener adjusting the value of the GSPR_t term.

3.19.7 Any modifications made under this Re-opener will be made under section 23 of the Act.

Special Condition 3.20 Office, gas national control centre and emergency control room relocation Re-opener (GNCCRE_t)

Introduction

- 3.20.1 The purpose of this condition is to calculate the term GNCCRE_t (the office, gas national control centre and emergency control room relocation Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.20.2 The effect of this condition is to establish a Re-opener for the licensee to trigger amendments to allowances for work relating to the move of the licensee's offices, the gas national control centre and the emergency control room.
- 3.20.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.20.4.

Part A: Licensee trigger of the Re-opener

- 3.20.4 The licensee may apply to the Authority for a direction adjusting the value of the GNCCRE_t term where it is seeking allowances for work relating to the move of its offices, the gas national control centre and the emergency control room during the Price Control Period.
- 3.20.5 The licensee may only apply to the Authority for a direction under paragraph 3.20.4:
- (a) Between 1 April 2026 and 7 April 2026;
 - (b) Between 1 April 2028 and 7 April 2028; and
 - (c) during such other periods as the Authority may direct.
- 3.20.6 An application under paragraph 3.20.4 must be made in writing to the Authority and include:
- (a) the changes the licensee is requesting to the value of the GNCCRE_t term and the Regulatory Years to which that adjustment relates;
 - (b) the basis of the calculation for the proposed adjustments to any allowances; and
 - (c) such detailed supporting evidence, as set out in the Re-opener Guidance and Application Requirements Document including justification of unit costs and volumes of work based on historical outturn data, benchmarking, actual condition information, Cost-Benefit Analysis, and updated engineering justification papers, as is reasonable in the circumstances.
- 3.20.7 An application under paragraph 3.20.4 must:
- (a) relate to the licensee's investment plan which has been developed in accordance with the licensee's submitted Business Plan; and
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2026.

Part B: Process the Authority will follow in making a direction

3.20.8 Before making a direction under paragraph 3.20.4 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

3.20.9 A direction under paragraph 3.20.4 will set out any adjustments to the value of the GNCCRE_t term and the Regulatory Years to which that adjustment relates.

3.20.10 A direction under paragraph 3.20.4 will distinguish between the transportation owner and the system operator allowance adjustments.

Special Condition 3.21 Network capability Re-opener (NC_t)

Introduction

3.21.1 The purpose of this condition is to calculate the term NC_t (the network capability Re-opener term). This contributes to the calculation of the Totex Allowance.

3.21.2 The effect of this condition is to:

- (a) establish a Re-opener for the licensee and the Authority to trigger amendments to Appendix 1 during the Price Control Period;
- (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 1; and
- (c) provide for an assessment of the Price Control Deliverable.

3.21.3 This is an Evaluative PCD.

3.21.4 This condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.21.13, 3.21.18 and 3.21.19.

Part A: Formula for calculating the network capability Re-opener term (NC_t)

3.21.5 The value of NC_t is derived in accordance with the following formula:

$$NC_t = NCPO_t - NCPRO_t$$

where:

NCPO_t means the allowances directed by the Authority as a result of the circumstances established by Parts C2 and D; and

NCPRO_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.21.6 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Final Option Selection Report and Licensee trigger of the re-opener

Part C1: Final Option Selection Report

3.21.7 Where specified in Appendix 1, the licensee must submit a Final Option Selection Report to the Authority to review and approve the Final Preferred Option.

3.21.8 The Final Option Selection Report must:

- (a) be submitted in writing;
- (b) be submitted by the delivery date specified in Appendix 1, or such other date as directed by the Authority;
- (c) include a Proposed Final Preferred Option;
- (d) include such detailed supporting evidence as set out in the Re-opener Guidance and Application Requirements Document including Cost-Benefit Analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.21.9 The Authority will:

- (a) approve the Proposed Final Preferred Option;
- (b) reject the Proposed Final Preferred Option on the basis that the Authority considers no work should go ahead at this time;
- (c) reject the Proposed Final Preferred Option and approve one of the other options in the Final Option Selection Report; or
- (d) reject the Proposed Final Preferred Option and set out additional information that should be provided to identify the best option before a resubmission of the Final Option Selection Report.

3.21.10 Before reaching a decision under paragraph 3.21.9, the Authority will publish on the Authority's Website:

- (a) its proposed decision;
- (b) the reasons for its proposed decision; and
- (c) a period during which representations may be made on the proposed decision, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.21.11 The Authority will publish its decision under paragraph 3.21.9 on the Authority's Website.

3.21.12 Where it is specified in Appendix 1 that a Final Option Selection Report is required, the licensee must not apply to the Authority for a direction under paragraph 3.21.13 unless it has received a decision of the Authority under paragraph 3.21.9.

Part C2: Licensee trigger of the Re-opener

3.21.13 The licensee may apply to the Authority for a direction adding, amending or deleting outputs, delivery dates and allowances in Appendix 1 in relation to works related to Compressor re-wheeling, site reconfigurations, decommissioning of redundant Compressor units and other network-capability related investment.

3.21.14 The licensee may only apply to the Authority for a direction under paragraph 3.21.13:

- (a) Between 1 April 2028 and 7 April 2028;
- (b) Between 1 April 2029 and 7 April 2029; and
- (c) during such other periods as the Authority may direct.

3.21.15 An application under paragraph 3.21.13 must be made in writing to the Authority and include:

- (a) the additions, amendments or deletions requested to the outputs, delivery dates or allowances in Appendix 1;
- (b) the basis of the calculation for the proposed adjustments to any allowances;
- (c) such detailed supporting evidence, as set out in the Re-opener Guidance and Application Requirements Document, including justification of unit costs and volumes of work based on historical outturn data, benchmarking, actual condition information, Cost-Benefit Analysis, and updated engineering justification papers, as is reasonable in the circumstances.

3.21.16 Where Part C1 applies, an application under paragraph under 3.21.13 must also include:

- (a) details of any fully tendered costs for the approved Final Preferred Option;
- (b) a Front End Engineering Design for the approved Final Preferred Option; and
- (c) a full breakdown of development and equipment costs incurred to date for the project.

3.21.17 An application under paragraph 3.21.13 must:

- (a) relate to changes to the licensee's investment plan that have developed since the licensee submitted its Business Plan to the Authority;
- (b) relate to Allowed Revenue Adjustments that exceed the Materiality Threshold due to as a result of costs incurred or expected to be incurred; and
- (c) be confined to costs incurred or expected to be incurred on or after 1 April 2026.

Part D: Authority trigger of this Re-opener

3.21.18 The Authority will also consider directing an addition, amendment or deletion to the outputs, delivery dates or allowances in Appendix 1, without an application being made under paragraph 3.21.13, where it considers:

- (a) one or more of the works in paragraph 3.21.13 exist, and
- (b) the Allowed Revenue Adjustments exceed the Materiality Threshold due to as a result of costs incurred or expected to be incurred for the works.

Part E: Assessment of Price Control Deliverable (NCPROR)

3.21.19 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for NCPROR where the licensee has not Fully Delivered an output in Appendix 1.

Part F: Process the Authority will follow in making a direction

3.21.20 Before making a direction under paragraph 3.21.13, 3.21.18 or 3.21.19 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

3.21.21 A direction under paragraph 3.21.13, 3.21.18 or 3.21.19 will set out any amendments to Appendix 1.

3.21.22 A direction under paragraph 3.21.19 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the NCPROR term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the NCPROR term.

Appendix 1

Network capability Price Control Deliverables by Regulatory Year

<u>Site</u>	<u>Output</u>	<u>Delivery date</u>	<u>Re-opener application window</u>	<u>Total allowance (all years) (£m)</u>
<u>Site reconfiguration Projects</u>	<u>Final Option Selection Report</u>	<u>30 October 2026</u>	<u>1-7 April 2028 or 1-7 April 2029</u>	<u>0.00</u>

Avonbridge operability project	Final Option Selection Report	30 October 2027	1-7 April 2029 ⁸	0.00
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Special Condition 3.22 Bacton enhanced filtration Re-opener (BEF_t)

Introduction

3.22.1 The purpose of this condition is to calculate the term BEF_t (the Bacton enhanced filtration Re-opener term). This contributes to the calculation of the Totex Allowance.

3.22.2 The effect of this condition is to:

- (a) establish a Re-opener for the licensee and the Authority to trigger amendments to Appendix 1 during the Price Control Period;
- (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 1;
- (c) provide for an assessment of the Price Control Deliverable.

3.22.3 This is an Evaluative PCD.

3.22.4 This condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.22.7, 3.22.11 and 3.22.12

Part A: Formula for calculating the Bacton enhanced filtration Re-opener term (BEF_t)

3.22.5 The value of BEF_t is derived in accordance with the following formula:

$$BEF_t = BEFO_t - BEFRO_t$$

where:

BEFO_t means the allowances directed by the Authority as a result of the circumstances established by Parts C and D; and

BEFRO_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.22.6 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Licensee trigger of the Re-opener

3.22.7 The licensee may apply to the Authority for a direction adding, amending or deleting outputs, delivery dates and allowances in Appendix 1 for works related to filtration equipment at Bacton terminal resulting in Allowed

Revenue Adjustments that exceed the Materiality Threshold due to costs incurred or expected to be incurred.

3.22.8 The licensee may apply to the Authority under paragraph 3.22.7 at any time during the Price Control Period.

3.22.9 An application under paragraph 3.22.7 must be made in writing to the Authority and include:

- (a) the actual costs incurred to date;
- (b) the additions, amendments or deletions requested to the outputs, delivery dates or allowances in Appendix 1;
- (c) the reasons for any amendments requested to Appendix 1;
- (d) the basis of the costs and calculations for any amendments requested to allowances in Appendix 1; and
- (e) such detailed supporting evidence, as set out in the Re-opener Guidance and Application Requirements Document including improvement plans, risk mitigation approaches, Cost-Benefit Analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.22.10 An application under paragraph 3.22.7 must:

- (a) take account of any allowed expenditure, which can be avoided as a result of the amendments requested; and
- (b) relate to costs incurred or expected to be incurred on or after 1 April 2026.

Part D: Authority trigger of the Re-opener

3.22.11 The Authority will also consider directing a modification adding, amending or deleting the outputs, delivery dates or allowances in Appendix 1, without an application being made under paragraph 3.22.7, where it becomes aware of the scope of works that the works related to filtration equipment at Bacton terminal resulting in Allowed Revenue Adjustment that exceeds have exceeded the Materiality Threshold due to costs incurred or expected to be incurred during the Price Control Period.

Part E: Assessment of Price Control Deliverable (BEFRO_t)

3.22.12 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for BEFRO_t where the licensee has not Fully Delivered an output in Appendix 1.

Part F: Process the Authority will follow in making a direction

3.22.13 Before making a direction under paragraph 3.22.7, 3.22.11 and 3.22.12 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

3.22.14 A direction under paragraphs 3.22.7, 3.22.11 and 3.22.12 will set out any amendments to Appendix 1.

3.22.15 A direction under paragraph 3.22.12 will set out:

(a) the delivery status of the output that has not been Fully Delivered;

(b) the value of the BEFRO_t term and the Regulatory Years to which those adjustments relate; and

(c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the BEFRO_t term.

Appendix 1

Bacton enhanced filtration Price Control Deliverables by Regulatory Year

<u>Site</u>	<u>Output</u>	<u>Delivery date</u>	<u>Re-opener application window</u>	<u>Total allowance (all years) (£m)</u>
N/A	N/A	N/A	N/A	N/A

Special Condition 3.23 Network decarbonisation and emissions compliance Re-opener (NDCRE_t)

Introduction

3.23.1 The purpose of this condition is to calculate the term NDCRE_t (the nN network decarbonisation and emissions compliance Re-opener term). Thisese contributes to the calculation of the Totex Allowance.

3.23.2 The effect of this condition is to:

(a) establish a Re-opener for the licensee and the Authority to trigger amendments to Appendix 1 during the Price Control Period;

(b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 1;

(c) provide for an assessment of the Price Control Deliverable.

3.23.3 This is an Evaluative PCD.

3.23.4 The condition also sets out the process the Authority will follow when directing any changes under Pp paragraphs 3.23.139, 3.23.1811 and 3.23.1912.

Part A: Formula for calculating the network decarbonisation and emissions compliance Re-opener term (NDCRE_t)

3.23.5 The value of NDCRE_t is derived in accordance with the following formula:

$$NDCRE_t = NDPO_t - NDPRO_t$$

where:

NDPO_t means the allowances directed by the Authority as a result of the circumstances established by Parts C2 and D; and

NDPRO_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.23.6 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Final Option Selection Report and Licensee trigger of the Re-opener

Part C1: Final Option Selection Report

3.23.7 Where specified in Appendix 1, the licensee must submit a Final Option Selection Report to the Authority to review and approve the Final Preferred Option.

3.23.8 The Final Option Selection Report must:

- (a) be submitted in writing;
- (b) be submitted by the delivery date specified in Appendix 1, or such other date as directed by the Authority;
- (c) include a P~~p~~roposed Final Preferred Option;
- (d) include such detailed supporting evidence including the Cost-Benefit Analysis, impact assessments, engineering justification papers, as is reasonable in the circumstances.

3.23.9 The Authority will:

- (a) approve the P~~p~~roposed Final Preferred Option;
- (b) reject the P~~p~~roposed Final Preferred Option on the basis that the Authority considers that no work should go ahead at this time;
- (c) reject the P~~p~~roposed Final Preferred Option and approve one of the other options in the Final Option Selection Report; or
- (d) reject the P~~p~~roposed Final Preferred Option and set out additional information that should be provided to identify the best option before a resubmission of the Final Option Selection Report.

3.23.10 Before reaching a decision under paragraph 3.23.9, the Authority will publish on the Authority's Website:

- (a) its proposed decision;
- (b) the reasons for its proposed decision; and
- (c) a period during which representations may be made on the proposed decision, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.23.11 The Authority will publish its decision under paragraph 3.23.9 on the Authority's Website.

3.23.12 Where it is specified in Appendix 1 that a Final Option Selection report is required, the licensee must not apply to the Authority for a direction under paragraph 3.23.13 unless it has received a decision of the Authority under paragraph 3.23.9.

C2: Licensee trigger of the Re-opener

3.23.13 The licensee may apply to the Authority for a direction adding, amending or deleting the outputs, delivery dates or allowances in Appendix 1 for works: that exceed the Materiality Threshold and:

- (a) that are related to the decarbonisation of any asset on the NTS; and/or
- (b) are required to comply with environmental legislation, resulting in Allowed Revenue Adjustment that exceeds the Materiality Threshold due to costs incurred or expected to be incurred.

3.23.14 The licensee may only apply to the Authority for a direction under paragraph 3.23.13:

- (a) Between 1 April 2027 and 7 April 2027;
- (b) Between 1 April 2028 and 7 April 2028; and
- (c) during such other periods as the Authority may direct.

3.23.15 An application under paragraph 3.23.13 must be made in writing to the Authority and include:

- (a) the actual costs incurred to date;
- (b) the additions, amendments or deletions requested to the outputs, delivery dates or allowances in Appendix 1;
- (c) the reasons for any amendments requested to Appendix 1;
- (d) the basis of the costs and calculations for any amendments requested to allowances in Appendix 1; and
- (e) such detailed supporting evidence as set out in the Re-opener Guidance and Application Requirements Document including improvement plans, risk mitigation approaches, Cost-Benefit Analysis, impact assessments, and engineering justification papers, as is reasonable in the circumstances.

3.23.16 Where Part C1 applies, an application under paragraph under 3.23.13 must also include:

- (a) details of any fully tendered costs for the approved Final Preferred Option;
- (b) a Front End Engineering Design for the approved Final Preferred Option; and
- (c) a full breakdown of development and equipment costs incurred to date for the project.

3.23.17 An application under paragraph 3.23.13 must:

- (a) take account of any allowed expenditure, which can be avoided as a result of the amendments requested; and
- (b) relate to costs incurred or expected to be incurred on or after 1 April 2026.

Part D: Authority trigger of the Re-opener

3.23.18 The Authority will also consider directing an addition, amendment or deletion to the outputs, delivery dates or allowances in Appendix 1, without an application being made under paragraph 3.23.13, where it becomes aware of the scope of works set out in paragraph 3.23.13(a) and/or (b) **resulting in Allowed Revenue Adjustment** that exceeds the Materiality Threshold **due to costs incurred or expected to be incurred during the Price Control Period.**

Part E: Assessment of Price Control Deliverable (NDPRO_t)

3.23.19 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for NDPRO_t where the licensee has not Fully Delivered an output in Appendix 1.

Part F: Process the Authority will follow in making a direction

3.23.20 Before making a direction under paragraph 3.23.13, 3.23.18 or 3.23.19 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 be up to 28 days **unless the Authority determines that a longer period is appropriate.**

3.23.21 A direction under paragraph 3.23.13 or 3.23.18 will set out any amendments to Appendix 1.

3.23.22 A direction under paragraph 3.23.19 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the NDPRO_t term and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the NDPRO_t term.

3.23.23 Any Re-opener and Price Control Deliverable direction issued by the Authority in accordance with this condition will distinguish between the transportation owner and the system operator allowance adjustments.

Appendix 1

Network decarbonisation and emissions compliance Price Control Deliverables by Regulatory Year

<u>Project</u>	<u>Output</u>	<u>Delivery date</u>	<u>Re-opener application window</u>	<u>Total allowance (all years) (£m)</u>
<u>Roll out of emissions compliance technology</u>	<u>Final Option Selection Report</u>	<u>30 April 2030</u>	<u>N/A</u>	<u>0.00</u>
<u>Replacement of existing gas unit(s)</u>	<u>Final Option Selection Report</u>	<u>30 April 2030</u>	<u>N/A</u>	<u>0.00</u>

Special Condition 3.24 Compressor acoustic building replacement Price Control Deliverable (CAB_t)

Introduction

3.24.1 The purpose of this condition is to calculate the term CAB_t (the Compressor acoustic building replacement Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.24.2 The effect of this condition is to:

- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable(s) set out in Appendix 1; and
- (b) provide for an assessment of the Price Control Deliverable(s).

3.24.3 This is an Evaluative PCD.

3.24.4 This condition also sets out the process the Authority will follow when directing the changes under Paragraph 3.24.7.

Part A: Formula for calculating the Compressor acoustic building replacement Price Control Deliverable term (CAB_t)

3.24.5 The value of CAB_t is derived in accordance with the following formula:

$$CAB_t = CABA_t - CABR_t$$

where:

CABA_t means the sum of allowances in Appendix 1; and

CABR_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.24.6 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Not used

Part D: Not used

Part E: Assessment of Price Control Deliverable (CABR_t)

3.24.7 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for CABR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part F: Process the Authority will follow in making a direction

3.24.8 Before making a direction under paragraph 3.24.7 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

3.24.9 A direction under paragraph 3.24.7 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the CABR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the CABR_t term.

Appendix 1

Outputs, delivery dates, volumes and associated allowances for the Price Control Deliverable (£m)

<u>Output</u>	<u>Delivery Date</u>	<u>Volume</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total Allowances</u>
<u>Cab Ventilation Replacement</u>	<u>31 March 2031</u>	<u>12</u>	<u>3.2148</u>	<u>0.79</u>	<u>4.6258</u>	<u>8.8578</u>	<u>5.1007</u>	<u>22.5741</u>
<u>Air Intake Replacement</u>	<u>31 March 2031</u>	<u>9</u>	<u>0.00</u>	<u>0.876</u>	<u>7.14</u>	<u>14.298</u>	<u>3.089</u>	<u>25.387</u>
<u>Cab Exhaust Replacement</u>	<u>31 March 2031</u>	<u>2</u>	<u>0.00</u>	<u>0.00</u>	<u>0.61</u>	<u>3.20</u>	<u>0.20</u>	<u>4.01</u>

Special Condition 3.25 Easement Reinstatement Price Control Deliverable (ER_t)

Introduction

3.25.1 The purpose of this condition is to calculate the term ER_t (the Easement Reinstatement Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.25.2 The effect of this condition is to:

(a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable(s) set out in Appendix 1; and

(b) provide for an assessment of the Price Control Deliverable(s).

3.25.3 This is an Evaluative PCD.

3.25.4 This condition also sets out the process the Authority will follow when directing the changes under paragraph 3.25.7.

Part A: Formula for calculating the Easement Reinstatement Price Control Deliverable term (ER_t)

3.25.5 The value of ER_t is derived in accordance with the following formula:

$$ER_t = ERA_t - ERR_t$$

where:

ERA_t means the sum of allowances in Appendix 1; and

ERR_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.25.6 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Not used

Part D: Not used

Part E: Assessment of Price Control Deliverable (ERR_t)

3.25.7 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for ERR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part F: Process the Authority will follow in making a direction

3.25.8 Before making a direction under paragraph 3.25.7 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

3.25.9 A direction under paragraph 3.25.7 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the ERR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the ERR_t term.

Appendix 1

Outputs, delivery dates and associated allowances for the Price Control Deliverable (£m)

<u>Output</u>	<u>Delivery Date</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total Allowances</u>
<u>Easement Reinstatement Campaign (Tree Clearance)</u>	<u>31 March 2031</u>	<u>3.03</u>	<u>3.00</u>	<u>2.97</u>	<u>2.94</u>	<u>2.91</u>	<u>14.87</u>
<u>Easement Reinstatement Campaign (Scrub Clearance)</u>	<u>31 March 2031</u>	<u>0.94</u>	<u>0.93</u>	<u>0.92</u>	<u>0.91</u>	<u>0.90</u>	<u>4.61</u>

Special Condition 3.26 Removal and remediation of valve and pipe stabbings Price Control Deliverable (RRVPS_t)

Introduction

3.26.1 The purpose of this condition is to calculate the term RRVPS_t (the removal and remediation of valve and pipe stabbings Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.26.2 The effect of this condition is to:

- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable(s) set out in Appendix 1; and
- (b) provide for an assessment of the Price Control Deliverable(s).

3.26.3 This is an Evaluative PCD.

3.26.4 This condition also sets out the process the Authority will follow when directing the changes under Paragraph 3.26.7.

Part A: Formula for calculating the Removal and remediation of valve and pipe stabbings Price Control Deliverable term (RRVPS_t)

3.26.5 The value of RRVPS_t is derived in accordance with the following formula:

$$RRVPS_t = RRVPSA_t - RRVPSR_t$$

where:

RRVPSA_t means the sum of allowances in Appendix 1; and

RRVPSR_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.26.6 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Not used

Part D: Not used

Part E: Assessment of Price Control Deliverable (RRVPSR_t)

3.26.7 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for RRVPSR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part F: Process the Authority will follow in making a direction

3.26.8 Before making a direction under paragraph 3.26.7 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

3.26.9 A direction under paragraph 3.26.7 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the RRVPSR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the RRVPSR_t term.

Appendix 1

Outputs, delivery dates, volumes and associated allowances for the Price Control Deliverable (£m)

<u>Output</u>	<u>Delivery Date</u>	<u>Volume</u>	<u>2026/ 27</u>	<u>2027/ 28</u>	<u>2028/ 29</u>	<u>2029/ 30</u>	<u>2030/ 31</u>	<u>Total Allowances</u>
<u>Removal of valve and pipe stabbings - 1 x excavation extension and pipe replacement (Si-239)</u>	<u>31 March 2031</u>	<u>22</u>	<u>0.80</u>	<u>0.80</u>	<u>0.79</u>	<u>0.78</u>	<u>0.77</u>	<u>3.94</u>
<u>Removal of valve and pipe stabbings - 1 x excavation extension and remediation. (Si-240)</u>	<u>31 March 2031</u>	<u>22</u>	<u>0.52</u>	<u>0.52</u>	<u>0.51</u>	<u>0.51</u>	<u>0.50</u>	<u>2.56</u>
<u>Removal of valve and pipe stabbings - 2 x excavation extension and pipe replacement (Si-241)</u>	<u>31 March 2031</u>	<u>22</u>	<u>1.28</u>	<u>1.27</u>	<u>1.25</u>	<u>1.24</u>	<u>1.23</u>	<u>6.27</u>
<u>Removal of valve and pipe stabbings - 2 x excavation extension and remediation. (Si-242)</u>	<u>31 March 2031</u>	<u>22</u>	<u>0.94</u>	<u>0.93</u>	<u>0.92</u>	<u>0.91</u>	<u>0.90</u>	<u>4.59</u>

Special Condition 3.27 Actuator replacement Price Control Deliverable (ARE_t)

Introduction

3.27.1 The purpose of this condition is to calculate the term ARE_t (the actuator replacement Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.27.2 The effect of this condition is to:

- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable(s) set out in Appendix 1; and
- (b) provide for an assessment of the Price Control Deliverable(s).

3.27.3 This is an Evaluative PCD.

3.27.4 This condition also sets out the process the Authority will follow when directing the changes under Paragraph 3.27.7.

Part A: Formula for calculating the Actuator replacement Price Control Deliverable term (ARE_t)

3.27.5 The value of ARE_t is derived in accordance with the following formula:

$$\underline{ARE_t = AREA_t - ARER_t}$$

where:

$AREA_t$ means the sum of allowances in Appendix 1; and

$ARER_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.27.6 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Not used

Part D: Not used

Part E: Assessment of Price Control Deliverable ($ARER_t$)

3.27.7 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for $ARER_t$ where the licensee has not Fully Delivered an output in Appendix 1.

Part F: Process the Authority will follow in making a direction

3.27.8 Before making a direction under paragraph 3.27.7 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

3.27.9 A direction under paragraph 3.27.7 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the $ARER_t$ term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the $ARER_t$ term.

Appendix 1

Outputs, delivery dates and associated allowances for the Price Control Deliverable (£m)

<u>Output</u>	<u>Delivery Date</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total Allowances</u>
Actuator Replacement	31 March 2031	0.08	0.08	0.44	1.61	7.17	9.38

Special Condition 3.28 GT2/GT3 crossover adjustment (GT2ACA_t and SOGT2ACA_t)

Introduction

3.28.1 The purpose of this condition is to:

- (a) calculate the term GT2ACA_t (the aggregate GT2/GT3 TO Crossover aAdjustment tTerm) and the term SOGT2ACA_t (the aggregate SO Crossover Adjustment Term). These terms contribute to the calculation of the Totex Allowance;
- (b) specify the values for the TO Crossover Adjustment Terms and SO Crossover Adjustment Terms that contribute to GT2ACA_t and SOGT2ACA_t;
- (c) define the scope of modifications to the TO Crossover Adjustment Terms and the SO Crossover Adjustment Terms that contribute to GT2ACA_t and SOGT2ACA_t; and
- (d) establish the GT2/GT3 Crossover Submissions Requirements and Guidance Document.

Part A: Formula for calculating the aggregate GT2/GT3 TO Crossover aAdjustment tTerm (GT2ACA_t)

3.28.2 The value of the GT2ACA_t term is calculated in accordance with the following formula:

$$\begin{aligned}
 GT2ACA_t = & GT2NARM_t + GT2NARMAH_t + GT2CROT_t + GT2CROTRE_t \\
 & + GT2LCMIR_t + GT2CRIT_t + GT2CRITRE_t + GT2PSUP_t \\
 & + GT2PSUPRE_t + GT2RDE_t + GT2NZ_t + GT2NOITRE_t + GT2CAM_t \\
 & + GT2NZP_t + GT2BTR_t + GT2BTRE_t + GT2CEP_t + GT2CEPRE_t \\
 & + GT2KLS_t + GT2KLSRE_t + GT2FIOC_t + GT2FIOCRE_t + GT2AH_t \\
 & + GT2NLA_t + GT2NLAH_t + GT2RA_t + GT2QL_t + GT2PD_t + GT2OE_t \\
 & - GT2R_t
 \end{aligned}$$

where:

GT2NARM_t means the GT2/GT3 TO Crossover aAdjustments Terms relating to the Baseline Allowed NARM Expenditure term (NARM_t) and the NARM asset health Re-opener term (NARMAH_t) as specified in Special Condition 3.1 of the RIIO-

GT2 licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2CROT_t
and
GT2CROTRE_t means the GT2/GT3 TO Crossover aAdjustments Terms relating to the Baseline Allowed NARM Expenditure cyber resilience OT baseline term (NARM_t and NARMAH_tCROT_t) and the cyber resilience OT non-baseline term (CROTRE_t) as specified in Special Condition 3.2 of the RIIO-GT2 licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2CROTRE_t means the GT2/GT3 Crossover adjustment relating to the Cyber resilience OT Use It Or Lose It Re-opener term (CROTRE_t) as specified in Special Condition 3.2 of the RIIO-GT2 licence in force from April 2021 to March 2026;

GT2CRIT_t and
GT2CRITRE_t means the GT2/GT3 TO Crossover aAdjustments Terms relating to the Cyber resilience IT Re-opener baseline term (CRIT_t) and the cyber resilience IT non-baseline term (CRITRE_t) as specified in Special Condition 3.3 of the RIIO-GT2 licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2CRITRE_t means the GT2/GT3 Crossover adjustment relating to the Cyber resilience IT Price Control Deliverable non-baseline term (CRITRE_t) as specified in Special Condition 3.3 of the RIIO-GT2 licence in force from April 2021 to March 2026;

GT2PSUP_t
and
GT2PSUPRE_t mean the GT2/GT3 TO Crossover aAdjustments Terms relating to the physical security Price Control Deliverable term (PSUP_t) and the physical security Re-opener term (PSUPRE_t) terms respectively as specified in Special Condition 3.4 of the RIIO-GT2 licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2RDF_t means the TO Crossover Adjustment Term relating to the Net Zero And Re-opener Development Fund term (RDF_t) as specified in Special Condition 3.5 of the RIIO-GT2 licence as in force from April 2021 to March 2026;

GT2NZ_t GT2NZ_t means the GT2/GT3 TO Crossover aAdjustments Term relating to the Net zero Re-opener and Price Control Deliverable net zero Re-opener term (NZ_t) as specified in Special Condition 3.6 of the RIIO-GT2 licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2NOITRE_t means the GT2/GT3 TO Crossover aAdjustments Term relating to the Non-operational IT Capex Re-opener term (NOITRE_t) as specified in Special Condition 3.7 of the RIIO-GT2 licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2CAM_t means the GT2/GT3 TO Crossover aAdjustments Term relating to the Coordinated adjustment mechanism term (CAM_t) as specified in Special Condition 3.8 of the RIIO-GT2

licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2NZP_t means the GT2/GT3 TO Cerossover a Adjustments Term relating to the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener term (NZP_t) as specified in Special Condition 3.9 of the RII0-GT2 licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2BTR_t and GT2BTRE_t means the GT2/GT3 TO Cerossover a Adjustments Terms relating to the Bacton terminal site redevelopment Price Control Deliverable term (BTR_t) and the Bacton terminal redevelopment Re-opener term (BTRE_t) Re-opener and Price Control Deliverable (BTR_t and BTRE_t) as specified in Special Condition 3.10 of the RII0-GT2 licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2CEP_t and GT2CEPRE_t means the GT2/GT3 TO Cerossover a Adjustments Terms relating to the compressor emissions Price Control Deliverable term (CEP_t) and the compressor emissions Re-opener term (CEPRE_t) Compressor emissions Re-opener and Price Control Deliverable (CEP_t and CEPRE_t) as specified in Special Condition 3.11 of the RII0-GT2 licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2KLS_t and GT2KLSRE_t means the GT2/GT3 TO Cerossover a Adjustments Terms relating to the King's Lynn subsidence Price Control Deliverable term (KLS_t) and the King's Lynn subsidence Re-opener term (KLSRE_t) King's Lynn subsidence Re-opener and Price Control Deliverable (KLS_t and KLSRE_t) as specified in Special Condition 3.12 of the RII0-GT2 licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2FIOC_t and GT2FIOCRE_t means the GT2/GT3 TO Cerossover a Adjustments Terms relating to the funded incremental obligated capacity Price Control Deliverable term (FIOC_t) and the funded incremental obligated capacity Re-opener term (FIOCRE_t) Funded incremental obligated capacity Re-opener and Price Control Deliverable (FIOC_t and FIOCRE_t) as specified in Special Condition 3.13 of the RII0-GT2 licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2AH_t means the GT2/GT3 TO Cerossover a Adjustments Term relating to the asset health term Asset health Re-opener (AH_t) as specified in Special Condition 3.14 of the RII0-GT2 licence as in force on 31 March 2026 in force from April 2021 to March 2026;

GT2NLA_t and GT2NLA AH_t means the GT2/GT3 TO Cerossover a Adjustments Terms relating to the asset health – non-lead assets Price Control Deliverable term (NLA_t) and the asset health – non-lead assets Re-opener term (NLA AH_t) Asset health – non-lead assets Price Control Deliverable (NLA_t and NLA AH_t) as specified in Special Condition 3.15 of the RII0-GT2 licence as

	in force on 31 March 2026; in force from April 2021 to March 2026;
$GT2RA_t$	means the GT2/GT3 TO Crossover a Adjustments Term relating to the Redundant Assets Price Control Deliverable term (RA_t) as specified in Special Condition 3.163 of the RIIO-GT2 licence as in force on 31 March 2026; in force from April 2021 to March 2026;
$GT2QL_t$ and $GTPD_t$	means the GT2/GT3 TO Crossover a Adjustments Terms relating to the Quarry and Loss Development Claim Costs term (QL_t) and the Pipeline Diversion Costs term (PD_t) Uncertain Costs Re-opener (QL_t and PD_t) as specified in Special Condition 3.17 of the RIIO-GT2 licence as in force on 31 March 2026; in force from April 2021 to March 2026;
$GT2OE_t$	means the GT2/GT3 TO Crossover a Adjustments Terms relating to the Opex escalator term (OE_t) as specified in Special Condition 3.18 of the RIIO-GT2 licence as in force on 31 March 2026; in force from April 2021 to March 2026; and
$GT2R_t$	has the value 0 unless otherwise directed by the Authority in accordance with Part G.

Part B: Formula for calculating the aggregate SO Crossover Adjustment Term (SOGT2ACA_t)

3.28.1 The value of the SOGT2ACA_t term is calculated in accordance with the following formula:

$$SOGT2ACA_t = GT2CROT_t + GT2CROTRE_t + GT2CRIT_t + GT2CRITRE_t + GT2NZ_t + GT2NOITRE_t + GT2FIOC_t + GT2FIOCRE_t + FSOTA_t - SO2R_t$$

where:

$GT2CROT_t$ and $GT2CROTRE_t$	mean the SO Crossover Adjustment Terms relating to the Cyber resilience OT baseline term ($CROT_t$) and the cyber resilience Re-opener term ($CROTRE_t$) as specified in Special Condition 3.2 of the RIIO-GT2 licence as in force on 31 March 2026;
$GT2CRIT_t$ and $GT2CRITRE_t$	mean the SO Crossover Adjustment Terms relating to the cyber resilience IT baseline term ($CRIT_t$) and the cyber resilience IT non-baseline term ($CRITRE_t$) as specified in Special Condition 3.3 of the RIIO-GT2 licence as in force on 31 March 2026;
$GT2NZ_t$	means the SO Crossover Adjustment Term relating to the net zero Re-opener term (NZ_t) as specified in Special Condition 3.6 of the RIIO-GT2 licence as in force on 31 March 2026;
$GT2NOITRE_t$	means the SO Crossover Adjustment Term relating to the Non-operational IT Capex Re-opener term ($NOITRE_t$) as specified in Special Condition 3.7 of the RIIO-GT2 licence as in force on 31 March 2026;

<u>$GT2FIOC_t$ and $GT2FIOCRE_t$</u>	means the SO Crossover Adjustment Terms relating to the funded incremental obligated capacity Price Control Deliverable term ($FIOC_t$) and the funded incremental obligated capacity Re-opener term ($FIOCRE_t$) as specified in Special Condition 3.13 of the RII0-GT2 licence as in force on 31 March 2026;
<u>$FSOTA_t$</u>	means the SO Crossover Adjustment Term relating to the Future System Operator transition allowance term ($FSOTA_t$) as specified in Special Condition 3.19 of the RII0-GT2 licence as in force on 31 March 2026; and
<u>$SO2R_t$</u>	has the value 0 unless otherwise directed by the Authority in accordance with Part G.

Part C: Values of individual GT2/GT3 Crossover adjustments TO Crossover Adjustments and SO Crossover Adjustments and modifications to those values

- 3.28.2 The values of individual GT2/GT3 crossover adjustment terms the TO Crossover Adjustment Terms that contribute to the calculation of $GT2ACA_t$ and the Regulatory Years to which such values apply are set out in Appendix 1.
- 3.28.3 The value of the SO Crossover Adjustment Terms that contribute to the calculation of $SOGT2ACA_t$ and the Regulatory Years to which such values apply are set out in Appendix 2.
- 3.28.4 With the exception of an assessment of any Price Control Deliverable in accordance with Part G of this licence condition, the Authority may amend themake modifications to values in Appendix 1 and Appendix 2 and amend the values, outputs, and delivery dates associated with a GT2/GT3 Crossover Item in Appendix 3 and Appendix 4 at any time during the Price Control Period under section 23 of the Act.
- 3.28.5 With the exception of an assessment of any Price Control Deliverable in accordance with Part G of this licence condition, in making amendments deciding whether to make a modification to any value in Appendix 1 to Appendix 4, and the value of such a modification, the Authority will:
- (a) have regard to the general principles for TO Crossover Adjustments Terms and SO Crossover Terms set out in the GT2/GT3 Crossover Submission Requirements and Guidance Document issued in accordance with Part E;
 - (b) in relation to the TO Crossover Adjustment Terms, take account of consider the value of Legacy adjustments to revenue (LART) the transportation owner legacy AIP Adjustment term (LADI_t) derived, or expected to be derived, in accordance with Special Condition 7.12 of this licence; and
 - (c) in relation to the SO Crossover Adjustment Terms, take account of the value of system operator legacy adjustment term (SOLADI_t) derived, or

expected to be derived, in accordance with Special Condition 7.6 of this licence.

Part D: Scope of any adjustments

3.28.6 The Authority may amend the value(s) of the TO Crossover Adjustment Terms in Appendix 1 and 3 if either one of the following are satisfied:

(a) a GT2/GT3 Crossover Item relating to that value was intended to cover part of the efficient cost of the item, and there is no other mechanism in this licence at the time the cost was incurred that would, or may be reasonably expected to, fund the remaining efficient cost of the GT2/GT3 Crossover Item; or

(b) the derivation of the transportation owner legacy adjustment term (LAD)_t in accordance with Special Condition 7.2 (Transportation owner legacy adjustment term (LAD)_t) has resulted, or is expected to result, in a reduction to allowances otherwise provided by a mechanism specified in the RIIO-GT2 licence as in force on 31 March 2026 relating to the GT2/GT3 Crossover Item such that the efficient cost of delivering the item in full is not adequately remunerated through allowances that have been provided, or will be provided, through mechanisms in this licence.

3.28.7 The Authority may amend the value(s) of the SO Crossover Adjustment Terms in Appendix 2 and 4 if either one of the following are satisfied:

(a) a GT2/GT3 Crossover Item relating to that value was intended to cover part of the efficient cost of the item, and there is no other mechanism in this licence at the time the cost was incurred that would, or may reasonably be expected to, fund the remaining efficient cost of the GT2/GT3 Crossover Item; or

(b) the derivation of the system operator legacy adjustment term (SOLAD)_t in accordance with Special Condition 7.6 (System operator legacy adjustment term (SOLAD)_t) has resulted, or is expected to result, in a reduction to allowances otherwise provided by a mechanism specified in the RIIO-GT2 licence as in force on 31 March 2026 relating to the GT2/GT3 Crossover Item such that the efficient cost of delivering the item in full is not adequately remunerated through allowances that have been provided, or will be provided through mechanisms in this licence.

Part E: GT2/GT3 Crossover Submission Requirements and Guidance Document

3.28.8 The Authority will issue and amend the GT2/GT3 Crossover Submission Requirements and Guidance Document by direction.

3.28.9 The Authority will publish the GT2/GT3 Crossover Submission Requirements and Guidance Document on the Authority's website.

3.28.10 The licensee must comply with the GT2/GT3 Crossover Submission Requirements and Guidance Document.

3.28.11 The GT2/GT3 Crossover Submission Requirements and Guidance Document will include, or make provision for, the following:

- (a) the general principles to which the Authority will have regard to when making amendments to all of the Appendices to this licence condition.
- (b) the timing and format of requests by the licensee for an amendment to the Appendices to this licence condition; and
- (c) the details of information required to be provided by the licensee to the Authority to support a request for amendment to values in Appendix 1 and Appendix 2.

3.28.12 Before directing that the GT2/GT3 Crossover Submission Requirements and Guidance Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed GT2/GT3 Crossover Submission Requirements and Guidance Document;
- (b) the date on which the Authority intends the GT2/GT3 Crossover Submission Requirements and Guidance Document to come into effect; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.28.13 Before directing any amendment to the GT2/GT3 Crossover Submission Requirements and Guidance Document, the Authority will publish on the Authority's Website:

- (a) the proposed text of the amended GT2/GT3 Crossover Submission Requirements Guidance Document;
- (b) the date on which the Authority intends the amended GT2/GT3 Crossover Submission Requirements and Guidance Document to come into effect;
- (c) the reasons for the proposed amendments to the GT2/GT3 Crossover Submission Requirements and Guidance Document; and
- (d) the period during which representations may be made on the proposed amendments to the GT2/GT3 Crossover Submission Requirements and Guidance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part F: What is the licensee funded to deliver?

3.28.14 Appendix 3 specifies the outputs, delivery dates, crossover adjustment and associated allowances for the Price Control Deliverable that the licensee is funded to deliver, the individual TO Crossover Adjustment term that the output is funded by, the delivery dates for those outputs and the allowances provided for the output.

3.28.15 Appendix 4 specifies the outputs, delivery dates, crossover adjustment and associated allowances for the Price Control Deliverable that the licensee is funded to deliver, the individual SO Crossover Adjustment term that the output is funded by, the delivery dates for those outputs and the allowances provided for the output.

Part G: Assessment of outputs (GT2R_t and SO2R_t)

3.28.16 The Authority will, in respect of GT2CROT_t, GT2CROTRE_t, GT2CRIT_t, GT2CRITRE_t, GT2PSUP_t, GT2PSUPRE_t, GT2NZ_t, GT2NOITRE_t, GT2BTR_t, GT2BTRE_t, GT2CEP_t, GT2CEPRE_t, GT2KLS_t, GT2KLSRE_t, GT2FIOC_t, GT2FIOCRE_t, GT2NLA_t, GT2NLAH_t and GT2RA_t, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for GT2R_t where the licensee has not Fully Delivered an output in Appendix 3.

3.28.17 The Authority will, in respect of GT2CROT_t, GT2CROTRE_t, GT2CRIT_t, GT2CRITRE_t, GT2NZ_t, GT2NOITRE_t, GT2FIOC_t and GT2FIOCRE_t, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for SO2R_t where the licensee has not Fully Delivered an output in Appendix 4.

Part H: What process will the Authority follow in making a direction?

3.28.18 Before making a direction under paragraphs 3.28.18 and 3.28.19 the Authority must publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and

Incentive values

Incentive Rate	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
OTI _t (£)	13,796	14,134	14,309	14,484	14,659
BMI _t (£)	879	897	906	1,829	1,847
WRI _t (£)	302	302	302	302	378
OWI _t (£)	76	76	76	153	382
WUI _t (£)	2	2	2	4	11
EVI _t (£)	329,201	329,201	329,201	329,201	329,201
EGI _t (£)	0	0	0	0	0

Appendix 1

- (c) Annual a period during which representations may be made on the proposed direction which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.28.19 A direction under paragraph 3.28.18 must set out:

GT2KLS _t and GT2KLSRE _t	0.00	0.00	0.00	0.00	0.00	0.00
GT2FIOC _t and GT2FIOCRE _t	0.00	0.00	0.00	0.00	0.00	0.00
GT2AH _t	0.00	0.00	0.00	0.00	0.00	0.00
GT2NLA _t and GT2NLA AH _t	0.00	0.00	0.00	0.00	0.00	0.00
GT2RA _t	0.00	0.00	0.00	0.00	0.00	0.00
GT2QL _t and GTPD _t	0.00	0.00	0.00	0.00	0.00	0.00
GT2OE _t	0.00	0.00	0.00	0.00	0.00	0.00

Appendix 2

Value(s) of the SO Crossover Adjustments Terms (£m)

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>RIIO-3 Total</u>
GT2CROT _t and GT2CROTRE _t	0.00	0.00	0.00	0.00	0.00	0.00
GT2CRIT _t and GT2CRITRE _t	0.00	0.00	0.00	0.00	0.00	0.00
GT2NZ _t	0.00	0.00	0.00	0.00	0.00	0.00
GT2NOITRE _t	0.00	0.00	0.00	0.00	0.00	0.00
GT2FIOC _t and GT2FIOCRE _t	0.00	0.00	0.00	0.00	0.00	0.00
FSOTA _t	0.00	0.00	0.00	0.00	0.00	0.00

Appendix 3

Outputs, delivery dates, crossover adjustment and associated allowances for the Price Control Deliverable (TO Crossover Adjustment Terms)

<u>Output</u>	<u>Delivery date</u>	<u>TO Crossover Adjustment Terms</u>	<u>RIIO-3 allowance provided</u>
N/A	N/A	N/A	N/A

Appendix 4

**Outputs, delivery dates, crossover adjustment and associated allowances for
the Price Control Deliverable (SO Crossover Adjustment Terms)**

<u>Output</u>	<u>Delivery date</u>	<u>SO Crossover Adjustment Terms</u>	<u>RIIO-3 allowance provided</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Chapter 4: Output delivery incentives

Special Condition 4.1 Total output delivery incentive performance thresholds (ODI_t)

Introduction

4.1.1 The purpose of this condition is to calculate ODI_t (the output delivery incentives term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

Part A: Formula for calculating total output delivery incentive performance

4.1.2 The value of ODI_t is derived in accordance with the following formula:

$$ODI_t = CSI_t$$

where:

CSI_t is derived in accordance with Special Condition 4.2.

Special Condition 4.2 Customer satisfaction survey output delivery incentive (CSI_t)

Introduction

4.2.1 The purpose of this condition is to provide for the calculation of the term CSI_t (the customer satisfaction survey output delivery incentive term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

4.2.2 The effect of the condition is to reward or penalise the licensee in relation to its performance under the customer satisfaction survey output delivery incentive.

Part A: Formula for calculating the customer satisfaction incentive (CSI_t)

4.2.3 The value of CSI_t is derived in accordance with the following formula:

$$CSI_t = CSA_t + CSB_t + CSC_t + CSD_t$$

where:

CSA_t means the adjustment in respect of performance for the Day-To-Day Customer Activities Element of the customer satisfaction survey and is derived in accordance with Part B;

CSB_t means the adjustment in respect of performance for the Market Facilitation Element of the customer satisfaction survey and is derived in accordance with Part C;

CSC_t means the adjustment in respect of performance for the Long-Term Customer Activities Element of the customer satisfaction survey and is derived in accordance with Part D; and

CSD_t means the adjustment in respect of performance for the Other Activities & Events Element of the customer satisfaction survey and is derived in accordance with Part E.

Part B: Day-To-Day Customer Activities Element of the customer satisfaction survey (CSA_t)

4.2.4 The CSA_t term is derived in accordance with the following formula:

$$CSA_t = \begin{cases} \min \left(\frac{CSAS_t - CSATU_t}{CSAMAX_t - CSATU_t}, 1 \right) \times 0.84, & CSAS_t > CSATU_t \\ \max \left(\frac{CSAS_t - CSAT_t}{CSAT_t - CSAMIN_t}, -1 \right) \times 0.84, & CSAS_t < CSATU_t \\ 0, & \text{Otherwise} \end{cases}$$

where:

$CSAS_t$ means the performance score for the Day-To-Day Customer Activities Element of the customer satisfaction survey;

$CSAT_t$ means the Day-To-Day Customer Activities Element score of 8.9 at which the penalty will be applied;

$CSATU_t$ means the Day-To-Day Customer Activities Element score of 9.3 at which the reward will be applied;

$CSAMAX_t$ means the Day-To-Day Customer Activities Element performance score of 9.6 at which the maximum level of reward will be applied; and

$CSAMIN_t$ means the Day-To-Day Customer Activities Element performance score of 8.6 at which the maximum level of penalty will be applied.

Part C: Market Facilitation Element of the customer satisfaction survey (CSB_t)

4.2.5 The CSB_t term is derived in accordance with the following formula:

$$CSB_t = \begin{cases} \min \left(\frac{CSBS_t - CSBTU_t}{CSBMAX_t - CSBTU_t}, 1 \right) \times 0.84, & CSBS_t > CSBTU_t \\ \max \left(\frac{CSBS_t - CSBT_t}{CSBT_t - CSBMIN_t}, -1 \right) \times 0.84, & CSBS_t < CSBTU_t \\ 0, & \text{Otherwise} \end{cases}$$

where:

<u>CSBS_t</u>	<u>means the performance score for the Market Facilitation Element of the customer satisfaction survey;</u>
<u>CSBT_t</u>	<u>means the Market Facilitation Element score of 9.0 at which the penalty will be applied;</u>
<u>CSBTU_t</u>	<u>means the Market Facilitation Element score of 9.4 at which the reward will be applied;</u>
<u>CSBMAX_t</u>	<u>means the Market Facilitation Element performance score of 9.7 at which the maximum level of reward will be applied; and</u>
<u>CSBMIN_t</u>	<u>means the Market Facilitation Element performance score of 8.7 at which the maximum level of penalty will be applied.</u>

Part D: Long-Term Customer Activities Element of the customer satisfaction survey (CSC_t)

4.2.6 The CSC_t term is derived in accordance with the following formula:

$$CSC_t = \begin{cases} \min \left(\frac{CSCS_t - CSCTU_t}{CSCMAX_t - CSCTU_t}, 1 \right) \times 0.84, & CSCS_t > CSCTU_t \\ \max \left(\frac{CSCS_t - CSCT_t}{CSCT_t - CSCMIN_t}, -1 \right) \times 0.84, & CSCS_t < CSCTU_t \\ 0, & \text{Otherwise} \end{cases}$$

where:

<u>CSCS_t</u>	<u>means the performance score for the Long-Term Customer Activities Element of the customer satisfaction survey;</u>
<u>CSCT_t</u>	<u>means the Long-Term Customer Activities Element score of 8.2 at which the penalty will be applied;</u>
<u>CSCTU_t</u>	<u>means the Long-Term Customer Activities Element score of 8.6 at which the reward will be applied;</u>
<u>CSCMAX_t</u>	<u>means the Long-Term Customer Activities Element performance score of 8.9 at which the maximum level of reward will be applied; and</u>
<u>CSCMIN_t</u>	<u>means the Long-Term Customer Activities Element performance score of 7.9 at which the maximum level of penalty will be applied.</u>

Part E: Other Activities & Events Element of the customer satisfaction survey (CSD_t)

4.2.7 The CSD_t term is derived in accordance with the following formula:

$$CSD_t = \begin{cases} \min \left(\frac{CSDS_t - CSDTU_t}{CSDMAX_t - CSDTU_t}, 1 \right) \times 0.28, & CSDS_t > CSDTU_t \\ \max \left(\frac{CSDS_t - CSDT_t}{CSDT_t - CSDMIN_t}, -1 \right) \times 0.28, & CSDS_t < CSDTU_t \\ 0, & \text{Otherwise} \end{cases}$$

where:

CSDS_t means the performance score for the Other Activities & Events Element of the customer satisfaction survey;

CSDT_t means the Other Activities & Events Element score of 8.5 at which the penalty will be applied;

CSDTU_t means the Other Activities & Events Element score of 8.9 at which the reward will be applied;

CSDMAX_t means the Other Activities & Events Element performance score of 9.2 at which the maximum level of reward will be applied; and

CSDMIN_t means the Other Activities & Events Element performance score of 8.2 at which the maximum level of penalty will be applied.

Part F: Customer satisfaction surveys

4.2.8 The licensee must, unless the Authority otherwise consents, carry out a minimum of one survey in each Regulatory Year to assess customer satisfaction with its Licensed Activity.

4.2.9 The licensee may include such questions in the survey as it considers appropriate, but the customer satisfaction for a specific survey element will be scored on one question only. The question must be framed as "Overall on a scale of 1 to 10, where 1 is 'very dissatisfied' and 10 is 'very satisfied', based on your experience of [Insert survey area service provided] you received, how satisfied are you with National Gas Transmission?".

4.2.10 The licensee must ensure that the survey area service is recorded within the Relevant Element. Should the customer have received services from multiple different survey areas, the licensee is able to ask for a score relating to each of the relevant survey areas.

4.2.11 The minimum response threshold that the licensee must obtain for Significant Interactions with customers is:

(a) 30 for services relating to the Day-To-Day Customer Activities Element;

(b) 25 for services relating to the Market Facilitation Element;

(c) 25 for services relating to the Long-Term Customer Activities Element;
and

(d) 25 for services relating to the Other Activities & Events Element.

4.2.12 If the licensee fails to meet the minimum response threshold in that year, the adjustment in respect of performance for the respective Relevant Element will be 0.

Chapter 5: Other revenue allowances

Special Condition 5.1 Transportation owner other revenue allowance (ORA_t)

Part A: Introduction

5.1.2 The purpose of this condition is to calculate the term ORA_t (the other revenue allowance term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

Part A: Formula for calculating total other revenue allowance (ORA_t)

5.1.3 The value of ORA_t is derived in accordance with the following formula:

$$ORA_t = NIA_t + CNIA_t + SIF E_t + PRPN_t$$

where:

Annual performance thresholds	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
OTTR	-12%	-14%	-16%	-26%	-38%
OTTP	8%	6%	4%	-6%	-18%
BMTR	-3%	-5%	-7%	-10%	-12%
BMTP	-1%	-3%	-5%	-6%	-8%
WRTR	52%	54%	57%	61%	65%
WRTP	44%	46%	49%	53%	55%
OWTR	-3%	-5%	-7%	-10%	-25%
OWTP	-1%	-3%	-5%	-6%	-15%
WUTR	-3%	-5%	-7%	-10%	-25%
WUTP	-1%	-3%	-5%	-6%	-15%
EVTR	1.40%	3.15%	3.15%	3.15%	3.15%
EVTP	0.60%	1.35%	1.35%	1.35%	1.35%
EGTR	15%	15%	15%	15%	15%
EGTP	5%	5%	5%	5%	5%

Appendix 1

Baseline measures

Impact area	Year	Level
Operational transport emissions (tCO ₂ e)	2021 forecast	1748
Business mileage (tCO ₂ e)	2019/20	1608
Licensee's Office waste generated in tonnes	2019/20	54.60
Licensee's Office water use in m ³	2019/20	7,380
Environmental Value of licensee's non-operational land (£m)	2020/21	32.92

~~Chapter 5:Chapter 1: Other revenue allowances~~

~~Special Condition 5.1Special Condition 1.1 Transportation owner other revenue allowance (ORA_t)~~

~~Part A: Introduction~~

~~5.1.21.1.1 The purpose of this condition is to calculate the term ORA_t (the other revenue allowance term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).~~

~~Part A: Formula for calculating total other revenue allowance (ORA_t)~~

~~5.1.31.1.1 The value of ORA_t is derived in accordance with the following formula:~~

$$ORA_t = NIA_t + CNIA_t + SIFF_t + PRPN_t$$

~~where:~~

~~NIA_t is derived in accordance with Special Condition 5.2;~~

~~CNIA_t is derived in accordance with Special Condition 5.3;~~

~~NIA_t is derived in accordance with Special Condition 5.2 (RIIO-3 Networks Innovation Allowance);~~

~~CNIA is derived in accordance with Special Condition 5.3 (Carry-over Network Innovation Allowance);~~

~~SIFF_t is derived in accordance with Special Condition 5.7 (The strategic innovation fund); and~~

~~PRPN_t means the pre-RIIO pension true up and has the value given in the GT2 Price Control Financial Model.~~

~~PRPN_t means the pre-RIIO pension true up and has the value given in the GT3 Price Control Financial Model.~~

Special Condition 5.2 RIIO-23 Network Innovation Allowance (NIA_t)

Introduction

5.2.1 The purpose of this condition is to calculate the term NIA_t (the Network Innovation Allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

5.2.2 The effect of this condition is to fund investment in innovation by means of the NIA.

5.2.3 This condition also establishes a framework for the governance and administration of the NIA.

Part A: Formula for calculating the Network Innovation Allowance term (NIA_t)

5.2.4 Subject to paragraph 5.2.5, the value of the NIA_t term is derived in accordance with the following formula:

$$NIA_t = 90\% \times NIAE_t$$

where:

NIAE_t means the Total NIA Expenditure.

5.2.5 The total value of the ~~network innovation allowance~~ NIA_t over the RIIO-23 Price Control Period is subject to the following cap:

$$\sum_{t=2021/22}^{2025/26} (NIA_t) \leq (TNIA_t + HYIN_t)$$
$$\sum_{t=2026/27}^{2030/31} (NIA_t) \leq (TNIA_t)$$

where:

NIA_t is derived in accordance with paragraph 5.2.4.

TNIA_t means the value of the licensee's Network Innovation Allowance as set out in Appendix 1 of this condition.

HYIN_t ~~means hydrogen innovation funding and has the value zero unless otherwise directed by the Authority in accordance with Part B.~~

5.2.6 The licensee must not spend more than 25% of Total NIA Expenditure on internal resources over the Price Control Period.

Part B: Hydrogen innovation funding (HYIN_t)

~~5.2.7 The Authority will direct a positive value for HYIN_t where it has decided that the value of NIAE is insufficient to enable the licensee to proceed with hydrogen related innovation that the Authority considers:~~

~~(a) ought to proceed; and~~

~~(b) satisfy the eligibility criteria specified in The RIIO-23 NIA Governance Document.~~

~~5.2.8 Before making a direction under paragraph 5.2.7 the Authority will:~~

~~(a) engage with the licensee and stakeholders which may include:~~

~~i. the Net Zero Innovation Board; or~~

~~ii. the Net Zero Advisory Group; and~~

~~(b) publish on the Authority's Website:~~

~~(c)(a) the text of the proposed direction;~~

~~(d)(a) the reasons for the proposed direction; and~~

- ~~i. a period during which representations may be made on the proposed direction, which will not be less than 28 days.~~

~~5.2.9 A direction under paragraph 5.2.7 will set out the value of the HYIN term and the Regulatory Years to which that adjustment relates.~~

~~Part C: Part B: The RIIO-2 NIA Governance Document~~

~~5.2.10~~5.2.7 The licensee must comply with the RIIO-23 NIA Governance Document.

~~5.2.11~~5.2.8 The Authority will issue and amend the RIIO-23 NIA Governance Document by direction.

~~5.2.12~~5.2.9 The Authority will publish the RIIO-23 NIA Governance Document on the Authority's Website.

~~5.2.13~~5.2.10 The RIIO-23 NIA Governance Document will make provision about the **regulation**, governance and administration of the NIA, including:

- (a) the definition of "unrecoverable NIA expenditure";
- (b) the eligibility criteria, which RIIO-23 NIA Projects must meet;
- (c) the information that is to be published by the licensee before RIIO-23 NIA Projects can begin;
- (d) the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-23 NIA Project, and the processes and procedures for that approval;
- (e) arrangements for ensuring that learning from RIIO-23 NIA Projects ~~can~~ **be** captured and disseminated by the licensee to other Gas Transporter Licensees;
- (f) the reporting obligations in respect of RIIO-23 NIA Projects (which may include reporting in respect of the funding and the completion of such projects); ~~and the provisions of the RIIO-2 NIA Governance Document); and~~
- (g) arrangements relating to the treatment of intellectual property rights in respect of RIIO-23 NIA Projects.

~~5.2.14~~5.2.11 Before directing that the RIIO-23 NIA Governance Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed RIIO-23 NIA Governance Document;
- (b) the date on which the Authority intends the RIIO-23 NIA Governance Document to come into effect; and
- (c) a period during which representations may be made on the content of the RIIO-23 NIA Governance Document, which will ~~not be less than up to 28 days~~ **unless the Authority determines that a longer period is appropriate.**

~~5.2.15~~5.2.12 Before directing an amendment to the RIIO-23 NIA Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended RII0-23 NIA Governance Document;
- ~~(a)(b) the date on which the Authority intends the amended RII0-3 NIA Governance Document to come into effect;~~
- ~~(b)(a) the date on which the Authority intends the amended RII0-2 NIA Governance Document to come into effect;~~
- (c) the reasons for the amendments to the RII0-23 NIA Governance Document; and
- (d) a period during which representations may be made on the ~~amendment~~ amendments to the RII0-23 NIA Governance Document, which will not be less than up to 28 days unless the Authority determines that a longer period is appropriate.

Appendix 1

Value of the licensee's RIIO-3 Network Innovation Allowance

<u>Licensee</u>	<u>Value of TNIA_t (£m)</u>
NGGT	25.00
<u>Licensee</u>	<u>Value of TNIA (£m)</u>
National Gas Transmission plc	21.47

Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA_t)

Introduction

Introduction

- 5.3.1 The purpose of this condition is to calculate the term CNIA_t (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 5.3.2 The effect of this condition is to extend RII0-1 Network Innovation Allowance ~~2 NIA~~ funding.
- 5.3.3 This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

Part A: Formula for calculating the Carry-over Network Innovation Allowance term (CNIA_t)

For the Regulatory Year commencing on 1 April 2021, 5.3.4. The value of CNIA_t ~~is derived~~ is derived in accordance with from the following formula:

$$CTNIA = (TNIA - \sum_{t=2021/22}^{2025/26} NIA_t) \times \frac{PI_{2023/24}}{PI_{2018/19}}$$

where:

TNIA means the total NIA cap for the licensee, set out in Appendix 1 of the licence;

NIA_t means value of NIA in year 't';

$\frac{PI_{2023/24}}{PI_{2018/19}}$ is the price index derived in accordance with Part E of Special Condition 2.1.

5.3.4 For the period commencing on 1 April 2026, and ending on 30 September 2027, the value of CNIA_t is derived in accordance with the following formula:

$$CNIA_t = (0.9 \times \min[ECNIA_t, CNIAV] - CNIA_{t-1}) \times \frac{PI_{2018/19}}{PI_t} \min(0.9 \times ECNIA_t, CTNIA - CNIA_{t-1}) - CNIA_{t-1}$$

where:

ECNIA_t means the expenditure incurred by the licensee in respect of Eligible CNIA Projects as calculated by the licensee in accordance with the RIIO-12 NIA Governance Document and reported to the Authority in accordance with the RIGs; Standard Condition B15 (Regulatory Instructions and Guidance);

CNIAV is derived means the value of CTNIA calculated in accordance with Part B; the formula in 5.3.47;

CNIA_{t-1} means an amount recovered by the licensee remaining CNIA allowance in relation to a Regulatory Year 2021/22 under. For the RIIO-1 Network Innovation Allowance which Regulatory Year 2026/27 the Authority has directed value of CNIA_{t-1} is unrecoverable in accordance with the RIIO-1 NIA Governance Document zero; and

$\frac{PI_{2018/19}}{PI_t}$ is the price index derived in accordance with Part F of Special Condition 2.1. means an amount recovered by the licensee in relation to the Regulatory Year 2026/27 under the RIIO-2 NIA which the Authority has directed is unrecoverable in accordance with the RIIO-2 NIA Governance Document. For the Regulatory Year 2027/2028, this amount will be zero.

5.3.45.3.5 For Regulatory Years commencing on or In respect of any time after 1 April 202230 September 2027, the value of CNIA_t is equal to zero.

5.3.55.3.6 Eligible CNIA Internal Expenditure may not exceed 25% of the total Eligible CNIA, unless the Authority otherwise consents.

Part B: Formula for calculating the Carry-over Network Innovation Allowance Value term (CNIAV)

5.3.65.3.7 The value of CNIAV is derived in accordance with the following formula:

$$CNIAV = NIAV_{2020/21} \times BR_{2020/21} - (ENIA_{2020/21} + BPC_{2020/21})$$

$$CTNIA = (R2TNIA - \sum_{t=2021/22}^{2025/26} NIA_t)$$

where:

$NIAV_{2020/21}$ is calculated in accordance with Part B of Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021; $R2TNIA$ means the total RIIO-2 NIA cap for the licensee, including hydrogen innovation funding where applicable, set out in Appendix 1 of this condition;

$BR_{2020/21}$ is calculated in accordance with Part B of Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021; NIA_t means value of NIA in year 't'.

$ENIA_{2020/21}$ is calculated in accordance with Part B of Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021; and

$BPC_{2020/21}$ is calculated in accordance with Part B of Special Condition 2E (The Network Innovation Allowance) of this licence as in force on 31 March 2021.

Part C: Part B: The RIIO-12 NIA Governance Document

5.3.75.3.8 The licensee must comply with the RIIO-12 NIA Governance Document in relation to the Carry-over Network Innovation Allowance and all Eligible CNIA Projects.

5.3.85.3.9 The Authority will amend the RIIO-12 NIA Governance Document by direction.

5.3.95.3.10 The RIIO-12 NIA Governance Document makes and will continue to make additional provision in respect of:

- (a) arrangements for ensuring that relevant learning from Eligible CNIA Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees whose licences contain a condition of equivalent effect to this condition;
- (b) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the RIIO-12 NIA Governance Document);

- (c) arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and
- (d) any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.

Part D: Part C: Procedure for amending the RIIO-42 NIA Governance Document

~~5.3.10~~ 5.3.11 Before amending the RIIO-42 NIA Governance Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended RIIO-42 NIA Governance Document;
- (b) the date on which the Authority intends the amended RIIO-2 NIA Governance Document to come into effect;
- ~~(b) the date on which the Authority intends the amended RIIO-1 NIA Governance Document to come into effect;~~
- (c) the reasons for the amendments to the RIIO-42 NIA Governance Document; and
- (d) a period during which representations may be made on the amendments to the RIIO-42 NIA Governance Document, which will not be less than up to 28 days- unless the Authority determines that a longer period is appropriate.

Appendix 1

Value of the licensee's RIIO-2 Network Innovation Allowance

<u>Licensee</u>	<u>Value of R2NIA (£m)</u>
<u>National Gas Transmission plc</u>	<u>36.33</u>

Special Condition 5.4 System operator other revenue allowance (SOORA_t)

Introduction

5.4.1 The purpose of this condition is to calculate the term SOORA_t (the system operator other revenue allowance term). This contributes to the calculation of SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).

Part A: Formula for calculating total other revenue allowance (SOORA_t)

5.4.2 The value of SOORA_t is derived in accordance with the following formula:

$$SOORA_t = CM_t + \cancel{SOIRC_t} SOEI_t + SOIRC_t + SOPRPN_t$$

where:

CM_t is derived in accordance with Special Condition 5.5;
 $SOEI_t$ is derived in accordance with Special Condition 5.8;
 $SOIRC_t$ is derived in accordance with Special Condition 5.6; and
 $SOPRPN_t$ means the pre-RIIO pension true up and has the value given in the ~~GT2~~GT3 Price Control Financial Model.

Special Condition 5.5 Entry Capacity and Exit Capacity Constraint Management (CM_t)

Introduction

- 5.5.1 The purpose of this condition is to calculate the term CM_t (the Entry Capacity and Exit Capacity Constraint Management allowed revenue term). This contributes to the calculation of $SOORA_t$ (the system operator other revenue allowance term) in Special Condition 5.4 (~~SO~~System Operator other revenue allowance).
- 5.5.2 CM_t is the sum of Exit Capacity buyback costs, revenue from accelerated release of Incremental Obligated Entry Capacity and the incentive revenue from the Constraint Management incentive scheme, that encourages the licensee to minimise its Constraint Management costs net of revenue.

Part A: The Constraint Management allowed revenue (CM_t)

- 5.5.3 The value of CM_t is derived in accordance with the following formula:

$$CM_t = CMIR_t + RAREnCA_t + ExBBCNLRA_t$$

where:

- $CMIR_t$ is derived in accordance with paragraph 5.5.4;
- $RAREnCA_t$ means the revenue from the accelerated release of Incremental Obligated Entry Capacity from the sale of Non-Obligated Entry Capacity at an NTS Entry Point; and
- $ExBBCNLRA_t$ is the Exit Capacity buyback costs incurred by the licensee which users are liable to reimburse to the licensee in accordance with the Uniform Network Code and which arise:
- (a) as a result of the rate of offtake by a User at a particular NTS Exit Point exceeding the maximum permitted offtake rate for that NTS Exit Point;
 - (b) as a result of an Aggregate Overrun of Exit Capacity at an NTS Exit Point; or
 - (c) in respect of any NTS Exit Point in respect of which the licensee has notified a planned Maintenance Day in accordance with the Uniform Network Code.

Part B: The Constraint Management incentive revenue (CMIR_t)

5.5.4 The value of CMIR_t is derived in accordance with the following formula:

$$CMIR_t = CMSF \times (CMOpTC_t - CMOpPM_t) - CMInvC_t$$

if:

$$CMIR_t \leq ANLL_t, CMIR_t = ANLL_t,$$

or if:

$$CMIR_t > ANLU_t, CMIR_t = ANLU_t$$

where:

CMSF is the Constraint Management sharing factor which has the value of the Totex Incentive Strength;

CMOpTC_t is derived in accordance with paragraph 5.5.12;

CMOpPM_t is derived in accordance with paragraph 5.5.5;

CMInvC_t is derived in accordance with paragraph 5.5.9; and

ANLL_t has the value set out in Appendix 3; and

ANLU_t has the value set out in Appendix 4.

$$\text{if } CMIR_t \leq ANLL_t \text{ then } CMIR_t = ANLL_t, \text{ or if } CMIR_t > ANLU_t \text{ then } CMIR_t = ANLU_t$$

where:

ANLL_t has the value set out in Appendix 2; and

ANLU_t has the value set out in Appendix 3.

Part C: The Constraint Management operational performance measure (CMOpPM_t)

5.5.5 The value of CMOpPM_t is derived in accordance with the following formula:

$$CMOpPM_t = CMOpC_t - ExBBCNLRA_t - ((RNOEC_t \times 0.14) - (RAREnCA_t \times 0.14)) - RLOC_t - (RNOExC_t \times 0.14) - RADD_t + CMCS_t - CMCB_t$$

where:

CMOpC_t is derived in accordance with paragraph 5.5.8;

ExBBCNLRA_t has the meaning set out in paragraph 5.5.3;

RNOEC_t is the revenue derived by the licensee from sales of Non-Obligated Entry Capacity;

RAREnCA_t has the meaning set out in paragraph 5.5.3;

RLOC_t is the revenue derived by the licensee from Locational Sell Actions and Physical Renomination Incentive Charges;

$RNOExC_t$	is the revenue derived by the licensee from the sale of Non-Obligated Exit Capacity;
$RADD_t$	is any further revenues derived by the licensee that the Authority has directed the licensee to include in the Constraint Management operational performance measure CMOPM _t ;
$CMCS_t$	is the commodity value associated with a primary Locational Sell Action is derived in accordance with paragraph 5.5.6; and
$CMCB_t$	is the commodity value associated with a primary Locational Buy Action, as derived in accordance with paragraph 5.5.7.

Part D: The Commodity Value associated with primary Locational Sell primary Actions (CMCS_t)

5.5.6 The value of CMCS_t is derived in accordance with the following formula:

$$CMCS_t = \sum_d (CMLS_{v,d} - CMLB_{v,d}) \times SAP_d$$

if:

$$CMLS_{v,d} \leq 0, CMLB_{v,d} = 0$$

where:

$CMLS_{v,d}$ means the volume of gas traded by the System Operator through Locational Sell Actions to support the resolution of a constraint on the relevant day;

$CMLB_{v,d}$ means the volume of gas traded by the System Operator through Locational Buy Actions to support the resolution of an associated primary Locational Sell Action on the relevant day; and constraint

SAP_d is the System Average Price on the relevant day gas is traded

Part E: The Commodity Value associated with primary Locational Buy primary Actions (CMCB_t)

5.5.7 The value of CMCB_t is derived in accordance with the following formula:

$$CMCB_t = \sum_d (CMLB_{v,d} - CMLS_{v,d}) \times SAP_d$$

if:

$$CMLB_{v,d} \leq 0, CMLS_{v,d} = 0$$

where:

Part D: NOT USED

5.5.6 — NOT USED

Part E: NOT USED

5.5.7 NOT USED

The

$CMLS_v$ means the volume of gas traded by the System Operator through locational sell actions to support the resolution of a constraint

$CMLB_{v,d}$ means the volume of gas traded by the System Operator through Locational Buy Actions to support the resolution of an associated primary Locational Sell Action on the relevant day constraint;

$CMLSG_{v,d}$ means the volume of gas traded by the System Operator through Locational Sell Actions to support the resolution of a constraint on the relevant day; and

SAP_d is the System Average Price on the relevant day gas is traded

Part F: The Constraint Management operational costs (CMOpC_t)

5.5.8 The value of CMOpC_t is derived in accordance with the following formula:

$$CMOpC_t = EnCMOpC_t + ExCMOpC_t + CMCS_t$$

where:

$EnCMOpC_t$ means the Entry Capacity operational Constraint Management cost term, incurred by the licensee in respect of Entry Capacity Constraint Management but excluding those included within the $EnCMInvC_t$ term (as defined in paragraph 5.5.9); and

$ExCMOpC_t$ means the Exit Capacity operational Constraint Management cost term incurred by the licensee in respect of Exit Capacity Constraint Management but excluding those included within the $ExCMInvC_t$ term (as defined in paragraph 5.5.9).

$CMCS_t$ is the commodity value associated with a primary locational sell action is derived in accordance with paragraph 5.5.6.

Part G: The Constraint Management investment costs (CMInvC_t)

5.5.9 The value of CMInvC_t is derived in accordance with the following formula:

$$CMInvC_t = EnCMInvC_t + ExCMInvC_t$$

where:

$EnCMInvC_t$ is the Entry Capacity investment Constraint Management cost term incurred by the licensee in respect of Constraint Management which relates to Funded Incremental Obligated Entry Capacity first released for sale by the licensee on or after 1 April 2021 until such time as that Entry Capacity has been physically delivered; and

$ExCMInvC_t$ is the Exit Capacity investment Constraint Management cost term incurred by the licensee in respect of Constraint Management which relates to Funded Incremental Obligated Exit Capacity first released for sale by the licensee on or after 1 April ~~2021~~2026 until such time as that Exit Capacity has been physically delivered.

- 5.5.10 In deriving $EnCMInvC_t$ and $ExCMInvC_t$ the licensee must use reasonable endeavours to ensure it does not pay more than 0.52p/kWh/Day in respect of Constraint Management costs for Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity.
- 5.5.11 Where the licensee has incurred either Entry Capacity or Exit Capacity costs for Constraint Management in respect of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity, the licensee must, no later than 28 days following the last Constraint Management action in respect of $EnCMInvC_t$ and $ExCMInvC_t$, send a report to the Authority demonstrating how it used reasonable endeavours to satisfy the obligation in paragraph 5.5.10.

Part H: The Constraint Management operational target ($CMOpTC_t$)

- 5.5.12 The value of $CMOpTC_t$ is derived in accordance with the following formula:

$$CMOpTC_t = CMOpBT_t + CMOpDT_t$$

where:

$CMOpBT_t$ is the Constraint Management base target as specified in Appendix 1; and

$CMOpDT_t$ is the variation to the Constraint Management target (which could be positive or negative) as determined in accordance with Part I: and specified in Appendix 2.

Part I: Determination of the variation to the Constraint Management operational target

- 5.5.13 The licensee must apply to the Authority in writing setting out its proposal for $CMOpDT_t$ where the implementation of the Re-opener in Special Condition 3.13.11 (Funded incremental obligated capacity Price Control Deliverable and Re-opener ~~and Price Control Deliverable~~) is likely to cause a variation in the Constraint Management operational target in Part H.
- 5.5.14 Where the licensee makes an application under paragraph 5.5.13 it must include, in sufficient detail to enable the Authority to decide whether the licensee should implement the proposal, the following:
- (a) an explanation of how implementation of the Re-opener will cause a variation in the value of $CMOpDT_t$ and in turn the variation in the Constraint Management operational target, setting out any proposed amendments to $CMOpTC_t$;

- (b) the evidence to support the licensee's proposal;
 - (c) the date from which the variation to the Constraint Management operational target would apply and, where relevant, the date to which it would apply; and
 - (d) the value that the licensee proposes the CMO_{pDT_t} term should take in each relevant Regulatory Year.
- 5.5.15 The licensee must keep a record of each application made under paragraph 5.5.13.
- 5.5.16 The licensee must implement the proposal as set out in the application made pursuant to paragraph 5.5.13 or as modified in accordance with paragraph 5.5.17, unless:
- (a) the Authority has, during the period of 28 days beginning with the date of receipt by the Authority of the application, directed the licensee to suspend implementation of the proposal because in the Authority's opinion the application made pursuant to paragraph 5.5.13 requires further consideration to evaluate whether the proposal, and the supporting information, are consistent with the licensee's duties under the Act and the conditions of its licence; or
 - (b) the Authority has, during the period of 56 days beginning with the date of receipt by the Authority of the application, directed the licensee not to implement the proposal.
- 5.5.17 Where the Authority has notified the licensee in writing to suspend implementation of the proposal in accordance with paragraph 5.5.16(a), the Authority will, during the period of 56 days beginning with the date of receipt by the Authority of the application, direct the licensee either:
- (a) to implement the proposal in accordance with the application made under paragraph 5.5.13; or
 - (b) to implement the proposal in a modified form, subject to the agreement of the licensee, where such modifications relate to:
 - (c) the value of CMO_{pDT_t}; and
 - (d) the date from which the value of CMO_{pDT_t} applies.
- 5.5.18 A direction under paragraph 5.5.17 will set out any amendments to Appendix ~~11~~².
- 5.5.19 Where a proposal is implemented without the Authority giving a direction, the value of CMO_{pDT_t} will be that proposed by the licensee, unless and until it is withdrawn under paragraph 5.5.20, when it will revert to the value in the previous proposal or zero, whichever is more recent.
- 5.5.20 The licensee may withdraw a proposal made under paragraph 5.5.13 unless the Authority has given a direction under paragraph 5.5.17.

Part J: Obligation to produce a statement of Constraint Management cost allocation rules

5.5.21 The licensee must have a statement of Constraint Management cost allocation rules, setting out the rules for attributing Constraint Management costs for the purposes of Part F and Part G approved by the Authority.

Part K: Parameters to review Constraint Management

5.5.22 The Authority may review some or all conditions contained within Special Condition 5.5, notifying the licensee of the intent and extent of the review, when:

- (a) $CMIR_t \leq ANLL_t$ in any Regulatory Year;
- (b) $CMIR_t \geq ANLU_t$ for two consecutive Regulatory Years; or
- (c) where the Authority expects either 5.5.22 (a) or (b) to occur.

Appendix 1

Constraint Management target (CMOpBT_t) by Regulatory Year (£m)

2021/22 <u>2026/27</u>	2022/23 <u>2027/28</u>	2023/24 <u>2028/29</u>	2024/25 <u>2029/30</u>	2025/26 <u>2030/31</u>
8.506.70	8.506.70	8.506.70	8.506.70	8.506.70

Appendix 2

Constraint Management target variation (CMOpDT_t) by Regulatory Year (£m)

<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>
0.00	0.00	0.00	0.00	0.00

Appendix 2Appendix 3

Annual lower limits on Constraint Management incentive revenue (ANLL_t) by Regulatory Year (£m)

2021/22 <u>2026/27</u>	2022/23 <u>2027/28</u>	2023/24 <u>2028/29</u>	2024/25 <u>2029/30</u>	2025/26 <u>2030/31</u>
-5.20	-5.20	-5.20	-5.20	-5.20

Appendix 3Appendix 4

Annual upper limits on Constraint Management incentive revenue (ANLU_t) by Regulatory Year (£m)

2021/22 <u>2026/27</u>	2022/23 <u>2027/28</u>	2023/24 <u>2028/29</u>	2024/25 <u>2029/30</u>	2025/26 <u>2030/31</u>
5.20	5.20	5.20	5.20	5.20

Special Condition 5.6 System operator external incentives, revenues and costs (SOIRC_t)

Introduction

- 5.6.1 The purpose of this condition is to calculate the term SOIRC_t (the system operator ~~incentive revenue~~ external incentives, revenues and costs term). This contributes to the calculation of SOORA_t (the system operator other revenue allowance term) in Special Condition 5.4 (~~SO~~ system operator other revenue allowance).
- 5.6.2 This condition also outlines the licensee's obligations in relation to certain gas system operator services.

Part A: The system operator incentive revenue and costs (SOIRC_t)

- 5.6.3 The value of SOIRC_t is derived in accordance with the following formula:

$$SOIRC_t = RBC_t + OMC_t + SC_t + \cancel{RBIR_t} + \cancel{QDAIR_t} + \cancel{GHGIR_t} RBIR_t + QDAIR_t + MIR_t$$

where:

- RBC_t is an amount (£m) equal to the revenue equivalent to the net residual balancing costs incurred by the licensee in respect of Regulatory Year t and shall be equal to the sum of the Basic Net Neutrality Amount and the Adjustment Neutrality Amount across all Days in Regulatory Year t ;
- OMC_t is the total costs incurred by the licensee from the procurement of availability and utilisation of Operating Margins services for the purposes of satisfying Operating Margins Requirements. It includes all capacity fees, gas delivery service fees, standby fees and costs associated with reprofiling, withdrawing and injecting gas into and out of gas Storage Facilities and costs that may arise as a result of the difference between the Operating Margins WACOG and Net Margins WACOG (as calculated in accordance with the Uniform Network Code) in the event of service utilisation multiplied by the relevant utilisation volume;
- SC_t is derived in accordance with Part ~~I~~ G;
- $RBIR_t$ is derived in accordance with Part B;
- $QDAIR_t$ is derived in accordance with Part C; and
- ~~$GHGIR_t$ is derived in accordance with Part D; and~~
- MIR_t is derived in accordance with Part ~~F~~ D.

Part B: The residual balancing incentive (RBIR_t)

- 5.6.4 The value of RBIR_t is derived in accordance with the following formula:

$$RBIR_t = \min [1.62.4, \max (STIP_t, -4.2.8)]$$

where:

$STIP_t$ is the sum of the total daily incentive payments and is derived in accordance with the following formula:

$$STIP_t = \sum_d DPIP_{t,d} + \sum_d DLIP_{t,d} \frac{\sum_{\alpha} DPIP_{t,\alpha} + \sum_{\alpha} DLIP_{t,\alpha}}{1,000,000}$$

where:

$DPIP_{t,d}$ is the daily price incentive payment on Day d and is derived in accordance with paragraph 5.6.5; and

$DLIP_{t,d}$ is the daily NTS Linepack incentive payment on Day d and is derived in accordance with paragraphs 5.6.7 and 5.6.8.

5.6.5 The value of $DPIP_{t,d}$ is derived in accordance with the following table:

$PPM_{t,d}$	$DPIP_{t,d}$
$0 \leq PPM_{t,d} \leq 5$	$1,2000.00175 - (PPM_{t,d} \times 8000.0011676667)$
$5 < PPM_{t,d} < 75.667$	$-2,800 - (3000.004083333 - (0.000281842 \times (PPM_{t,d} - 5)))$
$75.667 \leq PPM_{t,d}$	$-24,0000.024$

5.6.6 The value of $PPM_{t,d}$ is derived in accordance with the following formula:

$$PPM_{t,d} = \left(\frac{(TMIBP_{t,d} - TMISP_{t,d})}{SAP_{t,d}} \right) \times 100$$

where:

$TMIBP_{t,d}$ is the price (p/kWh) equal to the highest Market Offer Price in relation to an Eligible Balancing Action excluding any Locational Actions taken in respect of Day d of Regulatory Year t. If the licensee took no such eligible action in respect of Day d, $TMIBP_{t,d}$ equals $SAP_{t,d}$;

$TMISP_{t,d}$ is the price (p/kWh) equal to the lowest Market Offer Price in relation to an Eligible Balancing Action excluding any Locational Actions taken in respect of Day d of Regulatory Year t. If the licensee took no such eligible action in respect of Day d, $TMISP_{t,d}$ equals $SAP_{t,d}$; and

$SAP_{t,d}$ is the System Average Price (p/kWh) in respect of Day d of Regulatory Year t.

5.6.7 The value of $DLIP_{t,d}$ is derived for the months that are not Shoulder Months of Regulatory Year t in accordance with the following table:

$LPM_{t,d}$	$DLIP_{t,d}$
-------------	--------------

$0 \leq LPM_{t,d} \leq 1.5$	<u>3,2000.0047</u>
$1.5 < LPM_{t,d} < 2.8$	<u>3,2000.0047</u> $\times \left(\frac{2.8 - LPM_{t,d}}{1.3} \right)$
$LPM_{t,d} = 2.8$	0
$15 > LPM_{t,d} > 2.8$	<u>-24,0000.024</u> $\times \left(\frac{2.8 - LPM_{t,d}}{-12.2} \right)$
$LPM_{t,d} \geq 15$	<u>-24,0000.024</u>

5.6.8 For the Shoulder Months of Regulatory Year t, the value of $DLIP_{t,d}$ is derived in accordance with the following table:

$LPM_{t,d}$	$DLIP_{t,d}$
$0 \leq LPM_{t,d} \leq 1.5$	<u>3,2000.0047</u>
$1.5 < LPM_{t,d} < 2.8$	<u>3,2000.0047</u> $\times \left(\frac{2.8 - LPM_{t,d}}{1.3} \right)$
$2.8 \leq LPM_{t,d} \leq 5.6$	0
$15 > LPM_{t,d} > 5.6$	<u>-24,0000.024</u> $\times \left(\frac{5.6 - LPM_{t,d}}{-9.4} \right)$
$LPM_{t,d} \geq 15$	<u>-24,0000.024</u>

5.6.9 The value of the $LPM_{t,d}$ is derived in accordance with the following formula:

$$LPM_{t,d} = \max \left[(OLP_{t,d} - CLP_{t,d}), (CLP_{t,d} - OLP_{t,d}) \right]$$

where:

$OLP_{t,d}$ is the total NTS Linepack in respect of Day d of Regulatory Year t at 05:00 hours on Day d; and

$CLP_{t,d}$ is the total NTS Linepack in respect of Day d of Regulatory Year t at 05:00 hours on Day d+1.

Part C: Quality of demand forecasting incentive ($QDAIR_t$)

5.6.10 The value of $QDAIR_t$ is derived in accordance with the table below:

$DAFIE_t$	$QDAIR_t$
$0 \leq DAFIE_t \leq 4.5$ <u>53.79</u> + DFA_t	<u>1.57</u>
4.5 <u>53.79</u> + $DFA_t < DAFIE_t < 12.2$ <u>119.79</u> + DFA_t	<u>3.2534.53313.8479</u> - $(0.38961 \times 5667 \times (DAFIE_t - DFA_t))$
12.2 <u>119.79</u> + $DFA_t \leq DAFIE_t$	<u>-1.57</u>

where:

$DAFIE_t$ is the Day ahead demand forecasting incentivised average forecast error (mcm 7d) derived in accordance with paragraph 5.6.11; and

DFA_t is the Day ahead demand forecasting adjustment (mcm) derived in accordance with paragraph 5.6.12 12.

5.6.11 The value of $DAFIE_t$ is derived in accordance with the following formula:

$$DAFIE_t = \sum_d \left(|DADF_d - AD_d| \times \frac{AD_d}{\sum_d AD_d} \right)$$

where:

$\sum_d x$ is the sum of x for all Days d of Regulatory Year t;

$DADF_d$ is the Day ahead forecast NTS throughput value (mcm) **for all Days on a given Day d** in Regulatory Year t, published by the licensee (in accordance with the Uniform Network Code) on its website not later than 14:00 hours on the Day preceding Day d of Regulatory Year t. Where the Day ahead 14:00 forecast NTS throughput value is not published by 14:00 hours on the Day preceding Day d, the next forecast published on the licensee's website for the Day concerned shall be used; and

AD_d is the Actual NTS Throughput value (mcm) on a given Day d, calculated five Days following the Day (d+5), on each Day of Regulatory Year t.

5.6.12 The value of DFA_t is derived in accordance with the following formula:

$$DFA_t = \min [DFA_t, DFWA_t, 12]$$

where:

~~$DFA_t DFWA_t$~~ is the demand forecasting ~~short cycle storage~~ **wind generation** adjustment derived in accordance with the following formula:

$$DFA_t = \max [0, (0.038 \times (AIC_t - AIC_{t-1}) + (DFA_{t-1} \times DFCI_t))]$$

$$DFWA_t = (AWEM_t + (DFWA_{t-1} \times DFCI_t))$$

where:

$DFCI_t$ is the demand forecasting adjustment continuous improvement factor and equals 0.5; and

~~$AIC_t AWEM_t$~~ ~~is the average annual capability to have gas injected (mcm/d) at Short Cycle Storage Facilities connected to the NTS and is derived in accordance with the following formula:~~ **Is Annual growth in average wind generation error in mcm for all days in Regulatory year t, taking account of efficiency of 52%.**

$$AIC_t = \left[\frac{\sum_d ASF_{d,t}}{DIY_t} \right]$$

5.6.13 The value of $AWEM_t$ is derived in accordance with the following formula:

$$AWEM_t = \frac{\left[\frac{(AWEG_t \times 3.6)}{CV} \right]}{0.52}$$

where:

ASF_{d,t}CV is the aggregate capability of any relevant Short-Cycle Storage Facilities connected to the NTS to have gas injected (in mcm/d) on Day d of Regulatory Year t as specified in the Storage Capacity Notice submitted by the relevant Storage Facility operator to the licensee (and updated from time to time) pursuant to the relevant Storage Connection Agreements; and is Calorific Value, as defined in the Uniform Network Code, here equalling 39.5MJ/m³

DIY_tAWEG_t is the number of annual growth in average wind generation error in GWh for all days in Regulatory year t, as derived by the following formula:

$$AWEG_t = \max \left[0, \left(\frac{\sum_{dt} |NWF_d - AW_d|}{DIY_t} \right) - AWEG_{t-1} \right]$$

where:

5.6.13 The licensee must:

- (a) ~~publish on its website, and keep up to date, a list of sites that regularly utilise their capability both to withdraw and inject gas into the Short-Cycle Storage Facility on the same Day; and~~
- (b) ~~when the list is updated, send a copy of the updated list to the Authority as soon as reasonably practicable.~~

NWF_d is the ISOP Day Ahead Wind Forecast for a given Day d all Days in Regulatory Year t, published prior to 11am by ISOP.

AW_d is the Actual wind generation value on a given Day d, published by ISOP on each day of the relevant Regulatory Year t.

DIY_t is the number of Days d in Regulatory Year t.

5.6.14 The licensee must send a report to the Authority in respect of the previous Regulatory Year on the activities, projects and investments undertaken by the licensee, and the costs of these actions, in respect of its annual efforts to improve its quality of demand forecasting at a Day ahead:

- (a) by 31 July ~~2022~~2027;
- (b) within each succeeding period of twelve months; and
- (c) ~~in respect of the previous Regulatory Year.~~

5.6.15 The licensee must record and report to the Authority on its annual performance in delivering two to five days ahead demand forecasts (D-2 to D-5), including the licensee's D-2 to D-5 annual average forecast error:

- (a) by 31 ~~August 2021~~ July 2027; and
- (b) by 31 July in each subsequent Regulatory Year
- (c) or by such other date as the Authority may direct.

5.6.16 The two to five days ahead demand forecasting average error (TFDE_t) is derived in accordance with the following formula:

$$TFDE_t = \left[\frac{\sum_{i=2}^5 AFE_{d-i}}{4} \right]$$

where:

$\sum_{i=2}^5 x_{d-i}$ is the sum of x_{d-i} for i from i = 2 to i = 5 where for i = 2 the value of x_{d-i} means the value for two Days ahead of the Day d, and for i = 5 the value of x_{d-i} means the value for five Days ahead of the Day d; and

AFE_{d-i} is the average forecast error (mcm) as derived in accordance with the following formula:

$$AFE_{d-i} = \sum_d \left(|DF_{d-i} - AD_d| \times \frac{AD_d}{\sum_d AD_d} \right)$$

For i = 2, 3, 4 and 5, and where:

$\sum_d x$ is the sum of x for all Days d of Regulatory Year t; and

DF_{d-i} is the demand forecast NTS throughput value (mcm) for all Days on a given Day d in Regulatory Year t published by the licensee on its website not later than 16:00 hours at two, three, four and five Days ahead (d-2, d-3, d-4, d-5) in respect of each Day of Regulatory Year t. Where the two, three, four or five Days ahead 16:00 forecast NTS throughput values are not published by 16:00 hours at two, three, four or five Days ahead (d-2, d-3, d-4, d-5) the next forecast published on the licensee's website for the gas Day concerned shall be used.

~~Part D: The greenhouse gas emissions incentive (GHGIR_t)~~

~~5.6.17 The value of GHGIR_t is derived in accordance with the following formula:~~

~~$$GHGIR_t = \min [1.5, \max (VEP_t, -1.5)]$$~~

~~—where:~~

~~VEP_t is derived in accordance with paragraph 5.6.18.~~

5.6.18—The value of VEP_t is derived in accordance with the following formula:

$$VEP_t = \frac{[(VIT_t - VIPM_t) \times VIRP_t]}{1,000,000}$$

—where:

VIT_t is the venting incentive target (in tonnes of natural gas) and equals 2,897;

$VIPM_t$ means the venting incentive performance measure (in tonnes of natural gas) calculated as the aggregate amount of Natural Gas Vented from all Compressors; and

$VIRP_t$ is derived in accordance with paragraph 5.6.19.

5.6.19—The value of $VIRP_t$ (in £/tonne of Natural Gas Vented) is derived in accordance with the following formula:

$$VIRP_t = NTCP_t \times VF_t$$

—where:

VF_t is the venting equivalent factor which equals 25;

$NTCP_t$ is the non-traded carbon price (£/tCO₂e) as derived in accordance with the following formula:

$$NTCP_t = \frac{\sum_{m=1}^{12} [NTMCP_{m,t,y} \times IF_{m,t,y}]}{12}$$

—where:

$\sum_{m=1}^{12} [x_{m,t}]$ is the sum of $x_{m,t}$ for months $m = 1$ to $m = 12$, where $m = 1$ is the first month of Regulatory Year t and $m = 12$ is the last month of Regulatory Year t ;

$NTMCP_{m,t,y}$ is the latest non-traded central carbon price (£/tCO₂e) for month m in Regulatory Year t as published in advance of month m by the Department for Business, Energy and Industrial Strategy (or any other government department from time to time taking on this responsibility) in year y prices; and

$IF_{m,t,y}$ is the inflation factor from year y prices to month m in Regulatory Year t as derived in accordance with the following formula:

$$IF_{m,t,y} = \frac{AI_t}{AI_y}$$

—where:

AI_t is equal to the arithmetic average of the monthly retail prices index numbers for July to December (both inclusive) preceding Regulatory Year t ; and

AI_y is equal to the arithmetic average of the monthly retail prices index numbers for July to December (both inclusive) preceding year y .

~~Part E: Part A: The Greenhouse Gas Emissions Calculation Methodology~~

~~5.6.201.1.1 The licensee must have in place and maintain a Greenhouse Gas Emissions Calculation Methodology approved by the Authority.~~

~~5.6.211.1.1 The Greenhouse Gas Emissions Calculation Methodology must:~~

- ~~(a) calculate the mass of Natural Gas Vented in accordance with accepted greenhouse gas accounting and auditing principles; and~~
- ~~(b)(a) unless the Authority otherwise consents, be accompanied by a statement from a GHG Independent Examiner confirming that the examiner has examined and verified the methodology, including an assessment whether the methodology is consistent with accepted greenhouse gas accounting and auditing principles.~~

~~5.6.221.1.1 The licensee must by 31 July 2022, and by 31 July in each subsequent Regulatory Year, send to the Authority:~~

- ~~(a) a statement of the mass (in tonnes) of the Natural Gas Vented calculated in accordance with the Greenhouse Gas Emissions Calculation Methodology, both in respect of the previous Regulatory Year; and~~
- ~~(b)(a) unless the Authority otherwise consents, a statement from a GHG Independent Examiner confirming that the GHG Independent Examiner has carried out an examination to observe whether the mass calculated by the licensee in respect of the previous Regulatory Year in accordance with paragraph (a) has been determined in accordance with the Greenhouse Gas Emissions Calculation Methodology.~~

~~5.6.231.1.1 The licensee may review, and if appropriate revise, the Greenhouse Gas Emissions Calculation Methodology.~~

~~5.6.241.1.1 Before commencing a review the licensee must:~~

- ~~(a) notify the Authority;~~
- ~~(b)(a) explain the reasons for the review; and~~
- ~~(c)(a) may not conduct the review if during the period of 28 days beginning with the date of the notification the Authority directs the licensee not to conduct the review.~~

~~5.6.251.1.1 Before revising the Greenhouse Gas Emissions Calculation Methodology, and during the period of 28 days beginning with the date of completion of a review, the licensee must send to the Authority:~~

- ~~(a) a report on the outcome of the review;~~

~~(b) a statement of any proposed revisions or modifications to the Greenhouse Gas Emissions Calculation Methodology that the licensee having regard to the outcome of the review reasonably considers would better achieve the principles and criteria set out in paragraph 5.6.21(a); and~~

~~(c) a statement from a GHG Independent Examiner giving an opinion as to the extent to which any proposed revisions or modifications outlined by the licensee pursuant to paragraph 5.6.25(b) are consistent with accepted greenhouse gas accounting and auditing principles before 31 July in the Regulatory Year in which the modification is proposed to be effective.~~

~~5.6.26~~ The Authority will within 56 days of receipt of the report and statements under 5.6.25:

~~(a) approve the revisions proposed by the licensee;~~

~~(b)(a) reject the proposed revisions; or~~

~~(c)(a) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.~~

~~5.6.27~~ Where the Authority takes no action under 5.6.26 the licensee may treat the revisions as approved by the Authority.

~~Part F:~~Part D: The Maintenance incentive (MIR_t)

~~5.6.28~~5.6.17 The value of MIR_t is derived in accordance with the following formula:

$$MIR_t = MCIR_t + MDI_t + MDIRV_t$$

where:

$MCIR_t$ is the Maintenance change incentive revenue term and is derived in accordance with paragraph 5.6.2918;

MDI_t is the Maintenance Days incentive revenue for work excluding Valve Operations term and is derived in accordance with paragraph 5.6.3419; and

$MDIRV_t$ is the Maintenance Days incentive revenue for Valve Operations term and is derived in accordance with paragraph 5.6.3320.

~~5.6.29~~5.6.18 The value of $MCIR_t$ is derived in accordance with the following formula:

If $MCICD_t \leq MCITD_t$, then:

$$MCIR_t = \theta \min \left[\left(\frac{MCITD_t - MCICD_t}{0.7\%} \right) \times 0.05, 0.25 \right]$$

~~otherwise~~If $MCITD_t \leq MCICD_t \leq MCITDU_t$ then

$$MCIR_t = 0$$

If $MCICD_t > MCITDU_t$, then:

$$MCIR_t = \max[-MCIPM_t \times 0.05, -0.5] \left[\left(\frac{MCITDU_t - MCICD_t}{0.7\%} \right) \times 0.057, -0.5 \right]$$

5.6.30—The value of $MCIPM_t$ (the Maintenance change performance measure term) is derived in accordance with the following formula:

$$MCIPM_t = MCITD_t - MCICD_t$$

where:

$MCICD_t$ is the total number of actual Maintenance Change Days for Regulatory Year t ; and in relation to the Maintenance Workload, in Days for Regulatory Year t , expressed as a percentage;

$MCITD_t$ is the Maintenance change incentive target ~~in~~ and has a value 3.5% of actual Maintenance Change Days, as derived in accordance with for Regulatory Year t in relation to the following formula: Maintenance Workload, in Days for Regulatory Year t ; and

$MCITDU_t$ is the Maintenance change incentive upper limit and has a value of 4% of actual Maintenance Change Days for Regulatory Year t , before penalties apply.

$$MCITD_t = 0.0725 \times MW_t$$

~~where:~~

MW_t ~~is the Maintenance Workload, in Days for Regulatory Year t .~~

5.6.31 5.6.19 The value of MDI_t is derived in accordance with the following formulas:

If $MDA_t \geq MADT_t$ then:

$$MDI_t = \min[0.5, MDINP_t \times 0.05] = \min \left[\left(\frac{MDA_t - MADT_t}{TQM_t} \right) \times 100 \times 0.05, 0.35 \right]$$

otherwise:

$$MDI_t = \max[-MDINP_t \times \left(\frac{MDA_t - MADT_t}{TQM_t} \right) \times 100 \times 0.05, -0.57]$$

5.6.32—The value of $MDINP_t$ (the Maintenance Days incentive performance measure for work excluding Valve Operations term) is derived in accordance with the following formula:

$$MDINP_t = MDA_t - MADT_t$$

where:

MDA_t is the number of Advice Notice Days that excludes Valve Operations in Regulatory Year t ;

$MADT_t$ is the Advice Notice Day target, excluding Valve Operations, as derived in accordance with the following formula:

$$\underline{MADT_t = 0.75 \times TQM_t; \text{ and } MADT_t = 0.9 \times TQM_t; \text{ and}}$$

TQM_t is the total quantity of Customer Impacting Work in Days in respect of customers who are offtaking from the NTS, excluding Valve Operations and as derived in accordance with the licensee's Maintenance Plan for Regulatory Year t .

~~5.6.33~~5.6.20 The value of $MDIRV_t$ (the Maintenance Days incentive revenue for Valve Operations, £m) is derived in accordance with the following formula:

If $MDV_t \leq 10, \underline{MDT_t}$ then:

$$MDIRV_t = 0$$

otherwise:

$$MDIRV_t = \max [MPMV_t \times 0.02, -0.5]$$

~~5.6.34~~5.6.21 $MPMV_t$ (the Maintenance Days performance measure for Valve Operations work, in Days) is derived in accordance with the following formula:

$$MPMV_t = MDT_t - MDV_t$$

where:

MDT_t is the target number of Maintenance Plan Days, other than Advice Notice Days, in respect of Valve Operations, which has the value ~~115~~ (unless otherwise directed by the Authority following notification to it by the licensee of a change made to Maintenance and operational policy to comply with new or revised safety regulations, including the Pipeline Safety Regulations 1996 (S.I. 1996/825); and

MDV_t is the total number of Maintenance Plan Days, other than Advice Notice Days, on which the licensee has undertaken Maintenance in respect of Valve Operations in Regulatory Year t .

~~Part G:~~Part E: Maintenance and operational planning

~~5.6.35~~5.6.22 The licensee must use reasonable endeavours to communicate its Maintenance Programme Plan, covering a ~~three year~~three-year period, to Maintenance Relevant Parties who may be affected by planned Maintenance as soon as is reasonably practicable.

~~5.6.36~~5.6.23 The licensee must give adequate publicity of its Maintenance PlanProgramme to industry parties who are not likely to be affected by planned Maintenance as soon as is reasonably practicable.

~~5.6.37~~5.6.24 The licensee must update its Maintenance ~~Plan~~Programme at least once in each Regulatory Year.

~~5.6.38~~ The licensee must include in its Maintenance Plan:

- ~~(a) the type of work the licensee intends to carry out and the reasons for carrying out the work;~~
- ~~(b) the location of the work the licensee intends to carry out;~~
- ~~(c) an indication of the impact of any work identified on Maintenance Relevant Parties (for example in relation to a requirement for a reduced flow, steady flow or total cessation of the flow of gas);~~
- ~~(d) an indication of the dates upon which any work identified will take place; and~~
- ~~(e) an indication of the duration of the work identified (number of hours or Days).~~

~~5.6.39~~5.6.25 The licensee's communications under this condition must, as far as is practicable, include the publication of Maintenance requirements on the licensee's website and include the appropriate contact details for the licensee.

~~5.6.40~~5.6.26 For the avoidance of doubt, this condition does not require the licensee to provide any information that, in the opinion of the licensee, may be commercially sensitive or confidential, or which it would, but for the application of this condition, not be entitled to disclose as a result of the application of section 105 of the Utilities Act 2000 (general restrictions on disclosure of information).

~~5.6.41~~5.6.27 The licensee must use reasonable endeavours to agree all changes to its Maintenance Plan with any Maintenance Relevant Parties who may be affected by the Maintenance set out in the Maintenance Plan.

~~5.6.42~~5.6.28 The licensee must use reasonable endeavours to ensure all Maintenance Relevant Parties are aware of the ~~Minor Works~~Customer Re-charge Agreement.

~~5.6.43~~5.6.29 By 1 June ~~2022~~2027, and by 1 June in each subsequent Regulatory Year, the licensee must publish a report on its website that:

- (a) summarises the Maintenance that it undertook in the previous Regulatory Year, and
- (b) details the changes made to its Maintenance Plan in respect of the previous Regulatory Year.

~~5.6.44~~ In relation to obligations to report on the length of both Short ILL and Long ILL, the licensee must publish an ILL Report in respect of the preceding Regulatory Year.

~~5.6.45~~ The report required by paragraph 5.6.44 must be published by 1 August 2022 and by 1 August in each subsequent Regulatory Year.

~~5.6.46~~5.6.30 The Authority may, by direction, require a report referred to in ~~paragraphs~~paragraph 5.6.43 or 5.6.44~~29~~ to be published before the dates set out in ~~paragraphs 5.6.43 and 5.6.45 respectively~~paragraph 5.6.29 in each Regulatory Year or at other specified times.

5.6.31 The licensee must, by 1 August in each Regulatory Year, report on its website the length of total ~~both Short In Line Inspections III and Long In Line Inspections III~~ in respect of the preceding Regulatory Year.

~~Part H:~~Part F: Procurement of Operating Margins

~~5.6.47~~5.6.32 The licensee must use reasonable endeavours to procure its Operating Margins Requirements in an economic and efficient manner and to promote competition in the provision of Operating Margins to the licensee.

~~5.6.48~~5.6.33 To meet its obligations pursuant to paragraph 5.6.47~~32~~, the licensee must, wherever the licensee considers it is appropriate to do so, consult with OM Interested Parties on the actions it proposes to take to procure Operating Margins and to promote competition in the provision of Operating Margins.

~~5.6.49~~5.6.34 The licensee must:

- (a) provide to the Authority an Operating Margins Report; and
- (b) publish a non-confidential version of the Operating Margins Report on its website.

~~5.6.50~~5.6.35 The Operating Margins Report must be provided and published:

- (a) by 31 August ~~2021~~2026;
- (b) by 31 August in each subsequent Regulatory Year; and
- (c) unless the Authority otherwise directs.

~~5.6.51~~5.6.36 The Operating Margins Report must set out:

- (a) for the Operating Margins Report provided in respect of the Storage Year ending on 30 April and each Operating Margins Report provided thereafter, the actions the licensee has taken pursuant to its obligations under this condition during the previous Storage Year;
- (b) the actions the licensee has taken pursuant to its obligations under this condition in the current Storage Year;
- (c) details of the Operating Margins services it has procured for the current Storage Year;
- (d) a summary of the purchasing activities and exchange trades the licensee has taken during the previous and current Storage Years; and
- (e) any such data or information related to Operating Margins that the Authority may reasonably request.

Part I:Part G: System costs

~~5.6.52~~5.6.37 The value of SC_t is derived in accordance with the following formula:

$$SC_t = \sum_q [GC_{t,q} + ECC_{t,q}]$$

where:

$\sum_q x$ is the sum of x over all Relevant Quarter Years q in the Regulatory Year t ;

$GC_{t,q}$ is the total costs incurred by the licensee less any revenues received from third parties in respect of Relevant Quarter Year q in Regulatory Year t in the management of NTS Shrinkage, excluding payments under $ECC_{t,q}$; and

$ECC_{t,q}$ is the total costs incurred by the licensee in respect of Relevant Quarter Year q in Regulatory Year t in procuring electricity for the purposes of operating Electric Compressors.

Part J: Requirement to undertake work to investigate the causes of UAG and CVS

~~5.6.53~~ The licensee must use reasonable endeavours to undertake UAG Projects and compile a CVS Statement for the purposes of investigating the causes of UAG and CVS for each Regulatory Year.

~~5.6.54~~ The licensee must, unless the Authority otherwise directs, publish the UAGCVS Reports and provide a copy to the Authority by 1 May and 1 November in each Regulatory Year for the preceding six month period ending on 31 March and 30 September respectively.

~~5.6.55~~1.1.1 The licensee must outline in the UAGCVS Report:

- ~~(a) the UAG Projects the licensee has undertaken in the previous period;~~
- ~~(b)(a) the UAG Projects the licensee proposes to undertake in the next period and its views on whether, and if so how, the findings of the UAG Projects may be taken forward in order to reduce the volume of UAG;~~
- ~~(c)(a) the reasons why any UAG Projects that the licensee proposed to undertake have not been undertaken during the Regulatory Year;~~
- ~~(d)(a) a CVS statement outlining the work conducted during the previous period to investigate CVS, and explaining the licensee's understanding of the causes of CVS;~~
- ~~(e)(a) any additional activities and inspections undertaken by the licensee to improve metering calibration and accuracy;~~
- ~~(f) a summary of any relevant discussions concerning UAG or CVS at industry fora and with interested parties on a one-to-one basis; and~~
- ~~(g) any data or information related to UAG or CVS that the Authority may reasonably request.~~

5.6.56 — During the period of 28 days beginning with the date of publication of a UAGCVS Report the licensee must, unless the Authority otherwise consents, publish on its website all the relevant data referred to in the UAGCVS Report.

Part K: Management of NTS Shrinkage Costs

5.6.57 — The licensee must, by 1 June 2021, have in place a Gas Volumes Methodology, which will remain in place for each Regulatory Year except if modified in accordance with 5.6.59, detailing the calculations by which the licensee determines:

- (a) seasonal forecast gas volumes;
- (b) quarter forecast volumes;
- (c) the prompt daily volumes to be bought and sold; and
- (d) the costs to apply to the volumes referred to in sub-paragraphs 5.6.57(a) to (c).

5.6.58 — The licensee must use reasonable endeavours to publish the Gas Volumes Methodology on its website on or before 1 July 2021, and by the commencement of each subsequent Regulatory Year on 1 April.

5.6.59 — The licensee may modify the Gas Volumes Methodology in agreement with the Authority.

5.6.60 — The licensee must, unless the Authority otherwise consents, by 31 July 2022 and once by 31 July in each subsequent Regulatory Year, provide to the Authority a Shrinkage Procurement Report, which outlines in respect of the previous Regulatory Year:

- (a) best case scenario NTS Shrinkage costs, excluding costs in procuring electricity;
- (b) worst case scenario NTS Shrinkage costs, excluding costs in procuring electricity;
- (c) average NTS Shrinkage costs, excluding costs in procuring electricity;
- (d) actual NTS Shrinkage costs incurred by the licensee, excluding costs in procuring electricity; and
- (e) actual NTS Shrinkage costs for procuring electricity incurred by the licensee;

and which provides any further explanation or elaboration of the licensee's NTS Shrinkage costs that will be set out in the RIGs issued by the Authority under Standard Special Condition A40 (Regulatory Instructions and Guidance).

Part L: The NTS Shrinkage Review

- ~~5.6.61 In the Regulatory Year commencing on 1 April 2023, the Authority may review the licensee's management of NTS Shrinkage, including the costs incurred by the licensee as part of this activity.~~
- ~~5.6.62 The review may also include, but not be limited to, review of Parts I, J and K.~~
- ~~5.6.63 Before commencing any review the Authority will discuss the intent and scope of the review with the licensee before 1 June 2023, including the timescale for undertaking such a review.~~
- ~~5.6.64 Upon completion of the review, the Authority will set out any further steps which it considers appropriate in relation to the licensee's management of NTS Shrinkage.~~

Special Condition 5.7 The strategic innovation fund (SIF_t)

Introduction

- 5.7.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term SIF_t. This contributes to the calculation of the term ORA_t (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 5.7.2 The effect of this condition is to provide funding for Eligible SIF Projects and the administration of the SIF by means of revenues collected by the licensee through its NTS Transportation Owner Charges pursuant to the SIF Funding Mechanism (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.
- 5.7.3 This condition also makes provision for arrangements relating to the regulation, administration and governance of the SIF.

Part A: Determination of the value of the SIF_t term

- 5.7.4 The SIF_t term is the amount to be recovered by the licensee on behalf of Gas Transporter Licensees, the ISOP and any body administering the SIF, as determined by the Authority under paragraph 5.7.5 in relation to:
- (a) the SIF Funding specified for that Regulatory Year;
 - (b) the SIF Funding Return specified for that Regulatory Year; ~~and~~
- 5.7.5 In each Regulatory Year, the Authority will calculate, in accordance with the SIF Governance Document, and then by direction given to the licensee, specify:
- (a) the value for SIF_t for the licensee, being the amount (if any) to be recovered by the licensee in order to contribute to its own, other Gas

Transporter Licensees', the ~~ISOP and~~ ISOP and any body administering the SIF Funding for that Regulatory Year;

- (b) the net amounts that are to be transferred between the licensee, other Gas Transporter Licensees, the ISOP and any body administering the SIF in order to ensure that each receives an amount (if any) equal to the proportion of the SIF Funding for that Regulatory Year that is attributable to its Eligible SIF Projects or costs of administering the SIF (adjusted to take into account the amount of any SIF Funding Return); and
- (c) the manner in which and the timescale over which the net amounts referred to in sub-paragraph (b) are to be transferred.

5.7.6 The licensee must comply with any direction issued by the Authority under paragraph 5.7.5.

Part B: The SIF Funding Return Mechanism

5.7.7 The Authority may direct how SIF Returned Project Revenues should be paid to customers through the SIF Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.

5.7.8 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority will calculate and then, by direction given to the licensee specify:

- (a) the amount of any SIF Funding Return that the licensee must return to customers; and
- (b) the manner in which and the timescale over which that amount is to be paid.

5.7.9 The licensee must comply with any direction that is issued by the Authority under paragraph 5.7.8.

Part C: The SIF Governance Document

5.7.10 The licensee must comply with the SIF Governance Document.

5.7.11 The Authority will issue and amend the SIF Governance Document by direction.

5.7.12 The Authority will publish the SIF Governance Document on the Authority's Website.

5.7.13 The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including but not limited to:

- (a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed SIF projects;
- (b) the evaluation criteria against which the funding of proposed SIF projects will be assessed and approved;

- (c) the process and procedures that will be in place for the assessment, approval, and financing of proposed SIF projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;
- (d) arrangements to ensure that relevant matters the licensee has learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees and the ISOP;
- (e) the nature of the reporting obligations in respect of Eligible SIF Projects. which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and
- (f) arrangements relating to the treatment of intellectual property rights, including SIF Returned Royalty Income in respect of Eligible SIF Projects.

Part D: Procedure for issuing and revising the SIF Governance Document

5.7.14 Before directing that the SIF Governance Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed SIF Governance Document;
- (b) the date that the Authority intends the SIF Governance Document to come into effect; and
- (c) the time within which representations may be made on the content of the SIF Governance Document, which will ~~not be less than 28 days~~ be up to 28 days unless the Authority determines that a longer period is appropriate.

5.7.15 Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended SIF Governance Document;
- (b) the date on which the Authority intends the amended SIF Governance Document to come into effect;
- (c) the reasons for the amendment to the SIF Governance Document; and
- (d) a period during which representations may be made on the amendment to the SIF Governance Document, which will ~~not be less than~~ up to 28 days unless the Authority determines that a longer period is appropriate.

5.7.16 Where this special condition provides for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before or after this licence condition comes into effect.

Part E: Governance of NIC legacy projects

5.7.17 The SIF replaced the NIC which ran during the RIIIO-GT1 price control period to fund innovative low carbon or environmental projects. Although the NIC no longer runs for the licensee from 1 April 2021, the licensee must, in respect of any legacy NIC projects, comply with the NIC Governance Document which makes provisions about matters relating to the governance of the NIC including reporting obligations, arrangements to ensure project

learning dissemination and arrangements relating to the treatment of intellectual property rights.

Special Condition 5.8 System operator environmental incentives (SOEI_t)

Introduction

5.8.1 The purpose of this condition is to calculate the term SOEI_t (the system operator environmental incentive term). This contributes to the calculation of SOORA_t (the system operator other revenue allowance term) in Special Condition 5.4 (System operatorSO other revenue allowance).

5.8.2 The effect of this condition is to reward or penalise the licensee's performance of its functions, unless such performance falls within the deadband, if applicable.

5.8.3 This condition also outlines the licensee's obligations in relation to certain gas system operator services.

Part A: The System operator environmental incentives

5.8.4 The value of SOEI_t is derived in accordance with the following formula:

$$SOEI_t = GHGCC_t + GHGP_t + SHR_t$$

where:

GHGCC_t is derived in accordance with Part B;

GHGP_t is derived in accordance with Part C; and

SHR_t is derived in accordance with Part G.

Part B: The Greenhouse gas Compressor emissions incentive (GHGCC_t)

5.8.5 The value of GHGCC_t is derived in accordance with the following formula:

$$GHGCC_t = \min [2, \max (CEP_t, -2)]$$

where:

CEP_t is derived in accordance with paragraph 5.8.6.

5.8.6 The value of CEP_t is derived in accordance with the following formula:

$$CEP_t = \begin{cases} \frac{(CIT_t - CIPM_t - CID_t) GIRP_t}{1,000,000}; & CIPM_t \leq (CIT_t - CID_t) \\ \frac{(CIT_t - CIPM_t + CID_t) GIRP_t}{1,000,000}; & CIPM_t \geq (CIT_t + CID_t) \\ 0 & \text{else} \end{cases}$$

where:

CIT_t is the venting incentive target (in tonnes of natural gas) and equals:

2,156 in 2026/27;

2,081 in 2027/28;

2,006 in 2028/29;

1,931 in 2029/30;

1,856 in 2030/31

CID_t means the Compressor incentive deadband (in tonnes of natural gas) and equals 100;

$CIPM_t$ means the venting incentive performance measure (in tonnes of natural gas) calculated as the aggregate amount of Natural Gas Vented from all Compressors; and

$GIRP_t$ is derived in accordance with paragraph 5.8.2²⁹.

Part C: The Greenhouse gas pipeline emissions incentive (GHGP_t)

5.8.7 The maximum value of GHGP that may be determined by the Authority in respect of the licensee's performance over the Price Control Period will be:

GHGP max = 3.5

5.8.8 The minimum value of GHGP that may be determined by the Authority in respect of the licensee's performance over the Price Control Period will be:

GHGP min = -3.5

5.8.9 The targets and conditions associated with the application of the maximum and minimum GHGP values, as set out in paragraphs 5.8.7 and 5.8.8, will be determined by the Authority following the licensee's submission of the report referred to in paragraph 5.8.10.

5.8.10 Unless otherwise agreed by the Authority, the licensee must, by no later than 30 September 2027, submit to the Authority a report including the information required under paragraph 5.8.11.

5.8.11 The report submitted under paragraph 5.8.10 must include:

- (a) baseline data for determining the lower and upper recompression pressure limits applicable to gas recompression during pipeline maintenance activities;
- (b) targets for recompressing gas during pipeline maintenance, expressed as a percentage of total gas, during pipeline maintenance. Targets must be based on baseline data from equipment trials conducted in preceding Regulatory Years;
- (c) a list of pipeline maintenance activities to be excluded from the scope of this incentive;
- (d) a confirmation from the Independent Examiner that the baseline data and targets have been calculated in accordance with the most recent greenhouse gas emissions calculation methodologies and standards; and
- (e) summaries of the stakeholder consultation process, stakeholders' representations and the account taken of them by the licensee.

5.8.12 Following receipt of the report, the Authority will by 28 January 2028, issue a direction specifying:

- (a) the formula for calculating GHGP for the Price Control Period; ~~and~~
- (b) the proposed start date of the GHGP incentive; and
- (c) any associated reporting requirements.

5.8.13 Before making a direction under paragraph 5.8.12 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 representation may be made on the proposed direction, which will be up to ~~not be less than~~ 28 days unless the Authority determines that a longer period is appropriate.

Part D: Greenhouse gas Fugitive Emissions incentive (GHGF)

5.8.14 GHGF will be based on target Fugitive Emission performance levels (TFEP) for each Regulatory Year.

5.8.15 The TFEP for Regulatory Years 3 to 5 of the Price Control Period will be determined by the Authority, following submission of the report referred to in paragraph 5.8.165.

5.8.16 Unless otherwise agreed by the Authority, the licensee must, by no later than 30 September 2027, submit to the Authority a report containing the information required under paragraph 5.8.176.

5.8.17 The report submitted under paragraph 5.8.165 must include:

- (a) the baseline Fugitive Emissions performance data from preceding Regulatory Years ~~shall be~~ calculated in accordance with the most recent Fugitive Emissions ~~c~~Calculation ~~M~~methodology;
- (b) details of improvements in Fugitive Emissions performance levels and the activities undertaken to achieve them;
- (c) a proposal for calculating the TFEP for Regulatory Years 3 to 5 of the Price Control Period taking account of a reasonable business as usual annual reduction that should be expected from a well-executed and efficiently delivered leak detection and repair (LDAR) programme;
- (d) the value of the reasonable business as usual annual reduction which will be justified with reference to relevant scientific literature, industry best practice and guidance; and
- (e) a confirmation from the Independent Examiner that the TFEP for Regulatory Years 3 to 5 have been calculated in accordance with the most recent Fugitive Emissions methodologies and applicable standards.

5.8.18 Following receipt of the report under paragraph 5.8.165, the Authority will, by 28 January 2028, issue a direction specifying the formula for calculating GHGF for Regulatory Years 3 to 5 of the Price Control Period.

5.8.19 Before making a direction under paragraph 5.8.18 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 representation may be made on the proposed direction, which will be up to ~~not be less than~~ 28 days unless the Authority determines that a longer period is appropriate.

5.8.20 Unless otherwise agreed by the Authority, the licensee must, by 31 July 202~~9~~⁸ in Regulatory Year ~~43~~ and by 31 July in each subsequent Regulatory Year, submit to the Authority a report containing the information required by paragraph 5.8.~~21~~¹⁹.

5.8.21 The report referred to in paragraph 5.8.~~20~~¹⁸ must include, in respect of the previous Regulatory Year:

(a) the licensee's performance in detecting and repairing fugitive emissions;

(b) any extenuating circumstances that affected the licensee's ability to detect and repair fugitive emissions; and

(c) any additional information that provides further explanation or context for the licensee's performance, as required under the RIGs issued by the Authority pursuant to Standard Special Condition A40 (Regulatory Instructions and Guidance).

Part E: Greenhouse Gas Calculation External References (GIRP_t)

5.8.22 The value of GIRP_t (in £/tonne of Natural Gas Vented) is derived in accordance with the following formula:

$$GIRP_t = CCCP_t \times VF_t$$

where:

CCCP_t is the current central carbon price (£/tCO₂e) ~~infor~~ Regulatory Year t as published in advance of the Regulatory Year t by the Department for Energy Security and Net Zero (or any other government department from time to time taking on this responsibility) ~~in year y prices~~;

VF_t is the latest methane conversion factor as published by the Department for Energy Security and Net Zero (or any other government department from time to time taking on the responsibility for publishing the methane conversion factor).

Part F: The ~~G~~reenhouse Gas Emissions Calculation Methodology

5.8.23 The licensee must have in place and maintain a Greenhouse Gas Emissions Calculation Methodology approved by the Authority.

5.8.24 The Greenhouse Gas Emissions Calculation Methodology must:

- (a) calculate the mass of Natural Gas Vented in accordance with accepted greenhouse gas accounting and auditing principles; and
- (b) unless the Authority otherwise consents, be accompanied by a statement from a GHG Independent Examiner confirming that the examiner has examined and verified the methodology, including an assessment whether the methodology is consistent with accepted greenhouse gas accounting and auditing principles.

5.8.25 The licensee must by 31 July 2027, and by 31 July in each subsequent Regulatory Year, send to the Authority:

- (a) a statement of the mass (in tonnes) of the Natural Gas Vented calculated in accordance with the Greenhouse Gas Emissions Calculation Methodology, both in respect of the previous Regulatory Year; and
- (b) unless the Authority otherwise consents, a statement from a GHG Independent Examiner confirming that the GHG Independent Examiner has carried out an examination to observe whether the mass calculated by the licensee in respect of the previous Regulatory Year in accordance with paragraph (a) has been determined in accordance with the Greenhouse Gas Emissions Calculation Methodology.

5.8.26 The licensee may review, and if appropriate revise, the Greenhouse Gas Emissions Calculation Methodology.

5.8.27 Before commencing a review the licensee must:

- (a) notify the Authority;
- (b) explain the reasons for the review; and
- (c) may not conduct the review if during the period of 28 days beginning with the date of the notification the Authority directs the licensee not to conduct the review.

5.8.28 Before revising the Greenhouse Gas Emissions Calculation Methodology, and during the period of 28 days beginning with the date of completion of a review, the licensee must send to the Authority:

- (a) a report on the outcome of the review;
- (b) a statement of any proposed revisions or modifications to the Greenhouse Gas Emissions Calculation Methodology that the licensee having regard to the outcome of the review reasonably considers would better achieve the principles and criteria set out in paragraph 5.8.242(a); and
- (c) a statement from a GHG Independent Examiner giving an opinion as to the extent to which any proposed revisions or modifications outlined by the licensee pursuant to paragraph 5.8.286(b) are consistent with accepted greenhouse gas accounting and auditing principles before 31 July in the Regulatory Year in which the modification is proposed to be effective.

5.8.29 The Authority will within 56 days of receipt of the report and statements under 5.8.286:

- (a) approve the revisions proposed by the licensee;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

5.8.30 Where the Authority takes no action under 5.8.297 the licensee may treat the revisions as approved by the Authority.

Part G: Shrinkage Procurement Incentive (SHR_t)

5.8.31 The value of SHR_t is derived in accordance with the following formula:

$$SHR_t = \min [2.3, \max (SHIP_t, -2.3)]$$

where:

SHIP_t is the sum of the total daily incentive payments in a Regulatory Year and is derived in accordance with the following formula:

$$SHIP_t = \frac{\sum_{d,p} DSPIP_{t,d,p}}{1,000,000}$$

where:

DSPIP_{t,d,p} is the daily shrinkage price incentive payment on Day d for product p of the Regulatory Year (effective only for buy and sell trades completed post 1 April 2026) and is derived in accordance with paragraph 5.8.320.

5.8.32 The value of DSPIP_{t,d,p} is derived in accordance with the following formula:

$$DSPIP_{t,d,p} = \left\{ \sum \left[(SHRP_{t,d,p} - SHMPB_{t,d,p}) \times SHVOLB_{t,d,p} \right] + (SHMPS_{t,d,p} - SHRP_{t,d,p}) \times SHVOLS_{t,d,p} \right\} / 100$$

where:

SHRP_{t,d,p} is the Gas Reference Market Price (p/thermkWh) as assessed/published for product p for Day d of Regulatory Year t, by the Price Reporting Agency;

SHMPB_{t,d,p} is the volume weighted average price (p/thermkWh) of buy trades done on Day d of Regulatory Year t for product p by the licensee;

SHMPS_{t,d,p} is the volume weighted average price (p/thermkWh) of sell trades done on Day d of Regulatory Year t for product p by the licensee;

SHVOLB_{t,d,p} is the total volume (thermkWh) of buy trades completed on Day d of Regulatory Year t for a specific product p by the licensee; and

$SHVOL_{S,t,d,p}$ is the total volume (therm kWh) of sell trades completed on Day d of Regulatory Year t for a specific product p by the licensee.

Part H: Requirement to undertake work to investigate the causes of NTS Shrinkage

5.8.33 The licensee must use reasonable endeavours to undertake UAG Projects and compile a NTS Shrinkage Report for the purposes of investigating the causes of UAG, CFU and CVS for each Regulatory Year.

5.8.34 The licensee must, unless the Authority otherwise directs, publish the NTS Shrinkage Report and provide a copy to the Authority by 1 June in each Regulatory Year for the preceding Regulatory Year.

5.8.35 The licensee must outline in the NTS Shrinkage Report:

- (a) the UAG Projects the licensee has undertaken in the previous period;
- (b) the UAG Projects the licensee proposes to undertake in the next period and its views on whether, and if so how, the findings of the UAG Projects may be taken forward in order to reduce the volume of UAG;
- (c) the reasons why any UAG Projects that the licensee proposed to undertake have not been undertaken during the Regulatory Year;
- (d) to the extent possible, CFU volume, and how this may have been affected by other activities such as to ensure compliance with the Medium Combustion Plant Directive, accommodate increase in demand and supply flows, and innovation projects undertaken by the licensee to reduce CFU;
- (e) the breakdown of any UAG which has been reconciled and a description of the issue;
- (f) a CVS statement outlining the work conducted during the previous period to investigate CVS, and explaining the licensee's understanding of the causes of CVS;
- (g) any additional activities and inspections undertaken by the licensee to improve metering calibration and accuracy;
- (h) a summary of any relevant discussions concerning UAG, CFU or CVS with industry and with interested parties on a one-to-one basis; and
- (i) any data or information related to UAG, CFU or CVS that the Authority may reasonably request.

5.8.36 During the period of 28 days beginning with the date of publication of a NTS Shrinkage Report the licensee must, unless the Authority otherwise consents, publish on its website all the relevant data referred to in the NTS Shrinkage Report.

Part I: Management of NTS Shrinkage Costs

5.8.37 The licensee must have in place an internal NTS Shrinkage Procurement Strategy setting out for each Regulatory Year from 1 April 2026, how it will manage procurement of NTS Shrinkage energy (gas and electricity) to ensure cost minimisation and appropriate risk management for customers.

5.8.38 The licensee must, if so directed by the Authority, and in any event not less than once in every period of two Regulatory Years submit to the Authority a statement from an Independent Examiner:

- (a) confirming that the Independent Examiner has carried out an examination of the application of the NTS Shrinkage Procurement Strategy, the scope and objectives of which were approved by the Authority; and
- (b) ~~giving an opinion~~ providing the outcome of a review (including providing an opinion, unless to do so would be unlawful) on whether the NTS Shrinkage Procurement Strategy has been designed and implemented such that it is consistent with the licensee's duties under the Act and with the licensee's obligations under this licence.

5.8.39 The licensee must, by 31 May 2027 and in each subsequent Regulatory Year, or by such later date as the Authority may direct, report to the Authority, in such format as the Authority directs, on:

- (a) the application, over the previous Regulatory Year, of the NTS Shrinkage Procurement Strategy referred to in paragraph 5.8.375;
- (b) the licensee's view on the extent to which, over the previous Regulatory Year, the NTS Shrinkage Procurement Strategy objectives were achieved with regard to volume.

Chapter 6: Pass-through expenditure

~~Chapter 6: Chapter 1: Pass-through expenditure~~

Special Condition 6.1 Transportation owner pass-through items (PT_t)

Introduction

~~Introduction~~

- 6.1.1 The purpose of this condition is to calculate the term PT_t (the transportation owner allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction), ~~(AR_t)~~.
- 6.1.2 The effect of this condition is to ensure that the licensee's Allowed Revenue reflects that certain costs can be passed through to customers.

Part A: Formula for calculating the transportation owner allowed pass-through term (PT_t)

- 6.1.3 The value of PT_t is derived in accordance with the following formula:

$$PT_t = RB_t + LF_t + EDE_t + OPTC_t + IS_t + PTV_t + \cancel{Hy_t} + \cancel{NZPS_t}Hy_t + SDPS_t$$

where:

- RB_t* means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B ~~BA~~;
- LF_t* means the net payments made by the licensee in respect of the NTS Transportation Owner Activity under Standard Condition 3 (Payments by the Licensee to the Authority);
- EDE_t* means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year that relate to NTS Transportation Owner Activity, as further explained and elaborated upon in the ~~GT2GT3~~ Price Control Financial Handbook;
- OPTC_t* means the payments made by the licensee to the ~~Secretary of State~~ Civil Nuclear Police in respect of Policing Costs;
- IS_t* is derived in accordance with paragraph 6.2.3 of Special Condition 6.2 (Gas conveyed to Independent Systems); ~~(IS_t)~~;
- PTV_t* means the PARCA Termination Value and has the value zero unless directed in accordance with Part D ~~CB~~;
- Hy_t* ~~is derived in accordance with Part E; and~~
- NZPS_tHy_t* means the amount of funding to be returned from Cadent Gas Limited's Hynet FEED study as directed under Part ~~DC~~.
- SDPS_t* means the sum of:
- (a) ~~(a)~~ the net amount transferred between the licensee and the Distribution Networks in accordance with Part ~~FEED~~ of this condition and Special Condition 3.9 ~~(Net~~

~~Zero-Pre-construction Work and 4 (Small Net Zero Decarbonisation Projects Re-opener) (SDP_t))~~ of the ~~GDNDistribution Network~~ licence; plus

- (b) ~~(b)~~ in respect of the licensee, the value directed by the Authority in accordance with paragraph 6.1.11-134(b) of this condition.

Part B: Review of Prescribed Rates pass-through term (RB_t)

6.1.4 As part of any periodic revaluation, the licensee must:

- (a) engage with the Relevant Valuation Agency; and
- (b) use reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.

6.1.5 The Authority ~~will~~ may review the licensee's engagement with the Relevant Valuation Agency with respect to a revaluation.

6.1.6 If, after reviewing the licensee's engagement with the Relevant Valuation Agency and requesting any further information required from the licensee with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority will adjust the value of RB_t by direction.

Part C: Not Used

6.1.7 Before making a direction under paragraph 6.1.6 the Authority must 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 be up to 28 days ~~from the date the proposed direction is published~~ unless the Authority determines that a longer period is appropriate.

6.1.8 A direction under paragraph 6.1.6:

- (a) may only specify a different value for RB_t for the Regulatory Years following the Regulatory Year in which the revaluation took place; and
- (b) may not specify a different value for RB_t that is less than zero.

~~Part D:~~Part C: Review PARCA Termination Value pass-through term (PTV_t)

~~6.1.7~~6.1.9 If the licensee intends to pass-through a PARCA Termination Value, the licensee must send a notice to the Authority setting out the PARCA Termination Costs and the PARCA Termination Amounts received from PARCA Applicants.

~~6.1.8~~6.1.10 If, after reviewing the licensee's notice under paragraph 6.1.896, the Authority agrees with the PARCA Termination Value it will direct the value

for PTV_t accordingly. If the Authority considers that an alternative adjustment should be made to the PTV_t term, the Authority will direct another value for PTV_t.

6.1.11 Before making a direction under paragraph 6.1.10 the Authority must 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 must be up to 28 days unless the Authority determines that a longer period is appropriate.

Part E:~~Part D:~~ Adjustment for Cadent Gas Limited's Hynet FEED study (Hy_t)

6.1.96.1.12 The value of Hy_t is derived in accordance with the table in Appendix 1.
following formula:

$$Hy_t = CADENT_t - ALT_t$$

$$Hy_t = CADENT_t - ALT_t$$

where:

CADENT_t has the value set out in Appendix 1; and

ALT_t has the value zero unless directed otherwise by the Authority, after consulting with the licensee and Cadent Gas Limited.

The licensee must pay to Cadent Gas Limited the value of Hy_t divided equally on a quarterly basis for the relevant Regulatory Year.

Part F:~~Part E:~~ The Distribution Networks' and NTS' Net Zero Pre-construction Work and Small Net ZeroDecarbonisation Projects Re-opener (NZPS_tSDPS_t)

6.1.106.1.13 The Authority may direct:

- (a) the licensee to pay a sum to a Distribution Network; or
- (b) the licensee to receive a sum, in relation to decisions made under Special Condition 3.9 (~~Net Zero Pre-construction Work and 4~~ (Small Net ZeroDecarbonisation Projects Re-opener) (SDP_t)) of the Distribution Network's licence or Special Condition 3.4 (Small Decarbonisation Projects Re-opener (SDP_t)) of this licence. This sum, set out in Appendix 2, may be net of any returns of funding directed under Special Condition 3.94 of the Distribution Network's licence or Special Condition 3.4 of this licence.

6.1.116.1.14 The Authority may make a direction under paragraph 6.1.1131
where:

- (a) the funding for ~~Net Zero Pre-construction Work~~ or Small Net ZeroDecarbonisation Projects is being provided as a result of the

operation of the Re-opener established by Special Condition 3.9 (~~Net Zero Pre-construction Work and 4~~ (Small Net Zero Decarbonisation Projects Re-opener) (SDP_t)) of the Distribution Network's licence or Special Condition 3.4 (Small Decarbonisation Projects Re-opener (SDP_t)) of this licence; and

(b) the ~~Net Zero Pre-construction Work or Small Net Zero~~ Small Decarbonisation Project is to be funded via all gas consumers; and

6.1.15 The Authority will not direct the licensee to make payments to, or return funding from, Distribution Networks in a Regulatory Year for which Allowed Revenue has already been set, unless a forecast for such payments or funding returns was provided before Allowed Revenue was published.

6.1.126.1.16 Before making a direction under paragraph 6.1.11134, the Authority will publish on the Authority's Website:

~~(a) the text of the proposed direction;~~

~~(b) (a) the reasons for the proposed direction; and~~

~~(a) (c) 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

6.1.136.1.17 Where applicable, the licensee must pay the relevant Distribution Network the amounts specified in Appendix 2 divided equally on a quarterly basis for the relevant Regulatory Year, or in such other instalments as agreed between the licensee and the relevant Distribution Network.

6.1.146.1.18 The Authority may amend Appendix 2 by direction, as a result of an application under Special Condition 3.9 (~~Net Zero Pre-construction Work and 4~~ (Small Net Zero Decarbonisation Projects Re-opener) (SDP_t)) of ~~the~~ Distribution Network's licence or Special Condition 3.4 (Small Decarbonisation Projects Re-opener (SDP_t)) of this licensee licence, after consulting with the licensee and/or the relevant Distribution Network.

Appendix 1

Payments related to Cadent's Hynet FEED study (£m, 2018/19 values)

LicenseeNetwork/R	2021/22 <u>20</u>	2022/23 <u>20</u>	2023/24 <u>20</u>	2024/25 <u>20</u>	2025/26 <u>20</u>
egulatory Year	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>
Cadent Gas Limited	4.05- <u>0.4800</u>	4.05 <u>0.00</u>	4.05 <u>0.00</u>	0.00	0.00

Appendix 2

Net Licensee Funding and Payments to Distribution Networks for ~~Net Zero Pre-construction Work~~ and Small ~~Net Zero~~ Decarbonisation Projects (~~£~~(Nominal £m))

Network/Regulatory Year	2021/22 <u>202</u> 6/27	2022/23 <u>202</u> 7/28	2023/24 <u>202</u> 8/29	2024/25 <u>202</u> 9/30	2025/26 <u>203</u> 0/31
Cadent Gas Limited	0.00	3.38 <u>0.00</u>	0.00	0.00	0.00
National Grid Gas Limited <u>Transmission PLC</u>	0.00	0.00	0.00	0.00	0.00
Northern Gas Networks Limited	0.00	5.74 <u>0.00</u>	0.00	0.00	0.00
Scotland Gas Networks plc	0.00	13.36 <u>0.00</u>	7.92 <u>0.00</u>	2.50 <u>0.00</u>	0.00
Southern Gas Networks plc	0.00	0.00	0.00	0.00	0.00
Wales and West Utilities Limited	0.00	0.00	0.00	0.00	0.00

Special Condition 6.2 Gas conveyed to Independent Systems (IS_t)

Introduction

- 6.2.1 The purpose of this condition is to calculate the term IS_t (the Independent Systems terms), which feeds into ~~PT_t~~PT_t (the allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).
- 6.2.2 This condition also requires the licensee to recover the costs of connecting Independent Systems from Gas Shippers and then pay those amounts to DN Operators and Relevant Shippers, with any difference between amounts recovered and passed through to consumers.

Part A: Formula for calculating the Independent Systems term (IS_t)

- 6.2.3 The value of IS_t is derived in accordance with the following formula:

$$IS_{\text{£}} = (BPD_{\text{£}} + ACP S_{\text{£}} + ACP W_{\text{£}}) \times \frac{PI_{2018/19}}{PI_{\text{£}}}$$

$$IS_t = (BPD_t + ACP S_t + ACP W_t) \times \frac{PI_{2018/19}}{PI_t}$$

where:

BPD_t	is the Bulk Price Differential in nominal prices;
$ACPS_t$	is the amount the licensee must pay to Scotland Gas Networks plc under paragraph 6.2.5;
$ACPW_t$	is the amount the licensee must pay to Wales & West Utilities Limited under paragraph 6.2.5 65 ; and
PI_t	means the price index term derived in accordance with Part FE of Special Condition 2.1.

Part B: Requirements relating to the Bulk Price Differential (BPD_t)

- 6.2.4 The licensee must, in respect of each Independent System, pay to the Relevant Shipper the Bulk Price Differential divided equally on a quarterly basis for the relevant Regulatory Year or on such other basis as may be agreed with the Relevant Shipper.

Part C: Requirements relating to DN Operators

- 6.2.5 The licensee must pay to Scotland Gas Networks plc the amount derived in accordance with the following formula, divided equally on a quarterly basis for the relevant Regulatory Year or on such other basis as may be agreed with Scotland Gas Networks plc:

$$ACPS_t = SGNACP_t \times \frac{PI_t^*}{PI_{2018/19}2023/24}$$

where:

$SGNACP_t$	means the amount in Appendix 1 relating to Scotland Gas Networks plc;
PI_t^*	means the forecast price index term published <u>provided</u> by the Authority pursuant to Part A of Special Condition 8.2 (Annual Iteration Process for the GT2 Price Control Financial Model) prior to the end of Regulatory Year t-1; and
$PI_{2018/19}$ $PI_{2023/24}$	means the price index term for the regulatory year 2018/19 <u>2023/24</u> derived in accordance with Part FE of Special Condition 2.1.

- 6.2.6 The licensee must pay to Wales & West Utilities Limited the amount derived in accordance with the following formula, divided equally on a quarterly basis for the relevant Regulatory Year or on such other basis as may be agreed with Wales & West Utilities Limited:

$$ACPW_t = WWUACP_t \times \frac{PI_t^*}{PI_{2018/19}2023/24}$$

where:

- $WWUACP_t$ means the amount in Appendix 1 relating to Wales & West Utilities Limited;
- PI_t^* means the forecast price index term ~~published~~provided by the Authority ~~pursuant to Part A of Special Condition 8.2~~ prior to the end of Regulatory Year t-1; and
- ~~PI_{2018}~~
 ~~$PI_{2023/24}$~~ means the price index term for the regulatory year ~~2018/19~~2023/24 derived in accordance with Part ~~FE~~E of Special Condition 2.1.

Part D: Recovery and reporting of costs by the licensee

- 6.2.7 The licensee must use reasonable endeavours to recover an amount equal to IS_t from Gas Shippers in the Regulatory Year in which BPD_t , $ACPSt$ and $ACPWt$ are paid.
- 6.2.8 The licensee must by 31 July in each Regulatory Year submit to the Authority a statement that sets out:
- (a) each of the Bulk Price Differential payments made by the licensee to Relevant Shippers in the previous Regulatory Year pursuant to paragraph 6.2.4; and
 - (b) each of the payments made by the licensee to DN Operators in the previous Regulatory Year pursuant to ~~paragraph~~paragraphs 6.2.5 and 6.2.6.
- 6.2.9 The statement sent under paragraph 6.2.78 must be in such form, and provide such detail, as the Authority may direct.

Appendix 1

Additional costs of serving the customers connected to those Independent Systems operated by the relevant DN Operator (£m)

DN Operator / Regulatory Year	2021/22 <u>2026</u> <u>/27</u>	2022/23 <u>2027</u> <u>/28</u>	2023/24 <u>2028</u> <u>/29</u>	2024/25 <u>2029</u> <u>/30</u>	2025/26 <u>2030</u> <u>/31</u>
Scotland Gas Networks plc (SGNACP _t)	6.640.00 <u>8.18</u>	6.560.00 <u>8.58</u>	6.510.00 <u>9.04</u>	6.580.00 <u>9.51</u>	6.450.00 <u>10.01</u>
Wales & West Utilities Limited	0.1000 <u>0.05</u>	0.1000 <u>0.05</u>	0.1000 <u>0.05</u>	0.1000 <u>0.05</u>	0.1000 <u>0.05</u>

(WWUAC P _t)					
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Special Condition 6.3 System operator pass-through items (SOPT_t)

Introduction

- 6.3.1 The purpose of this condition is to calculate the term SOPT_t (the system operator allowed pass-through term). This feeds into SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).
- 6.3.2 The effect of this condition is to ensure that the licensee's SO Allowed Revenue reflects that certain costs can be passed through to customers.

Part A: Formula for calculating the system operator allowed pass-through term (SOPT_t)

- 6.3.3 The SOPT_t term is derived in accordance with the following formula:

$$SOPT_t = CDSP_t + \cancel{SOEDE_t} + \cancel{ARGSP_t} - \cancel{SOEDE_t} + ARGSP_t$$

where:

CDSP_t means CDSP Costs, excluding costs incurred in relation to UK Link Gemini; and

SOEDE_t means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year that relate to NTS System Operation Activity, as set in the triennial review of Pension Scheme Established Deficit provided for in the GT3 Price Control Financial Handbook; and

~~*SOEDE_t*~~ means the payments in relation to the Pension Scheme Established Deficit repair expenditure that relate to NTS System Operation Activity;

ARGSP_t means the ISOP's gas revenue provision term and is derived in accordance with Special Condition 6.4.

Special Condition 6.4 ISOP gas costs revenue process

Introduction

- 6.4.1 The purpose of this condition is to establish arrangements for the licensee to provide the amounts as notified by the ISOP for the ISOP's annual gas expenditure each Regulatory Year.

Part A: Calculation of the ARGSP_t term

- 6.4.2 ARGSP_t shall be equal in each Regulatory Year to the amount that is notified by the ISOP in accordance with paragraph F1.15 of condition F1 (Gas

revenue calculations and notification process) in the ISOP's Gas System Planner Licence.

Part B: Obligation to pay the ISOP

~~6.4.3~~ For the Regulatory Year commencing 1 April 2025, the licensee must pay to the ISOP the amount equal to $ARGSP_t$ divided equally into six monthly payments commencing on 1 October 2025.

~~6.4.4~~6.4.3 For all Regulatory Years commencing on or after 1 April 2026, the licensee must pay to the ISOP the amount equal to $ARGSP_t$ divided equally into twelve monthly payments for the relevant Regulatory Year.

Part C: Obligation to notify the ISOP of relevant dates

~~6.4.5~~6.4.4 The licensee must issue the ISOP a statement that sets out the latest date by which it requires the ISOP to notify the $ARGSP_t$ amount for the relevant Regulatory Year in order to factor the amount into NTS System Operation Charges for that Regulatory Year.

~~6.4.6~~6.4.5 The licensee must issue the ISOP with the statement under paragraph 6.4.5 no later than three months prior to the date set out in that statement.

Chapter 7: Legacy adjustments

Special Condition 7.1 Transportation owner legacy adjustments (LAR_t)

Introduction

7.1.1 The purpose of this condition is to calculate the term LAR_t (the transportation owner legacy adjustments term), which in turn feeds into the calculation of Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.1.2 The value of LAR_t and its components are in nominal prices.

Part A: Formula for calculating the ~~transportation owner~~total legacy adjustments (LAR_t)

7.1.3 The value of the LAR_t term is derived in accordance with the following formula:

$$LAR_t = LPT_t + LMOD_t + LK_t + LTRU_t + NOCO_t + NICE_t + SSCO_t LADJ_t + LK_t$$
where:

LPT_t <u>LADJ_t</u>	is derived in accordance with Special Condition 7.2 (Transportation owner legacy pass-through); <u>AIP Adjustment term</u>); and
LMOD_t	is derived in accordance with Special Condition 7.3 (Transportation owner legacy MOD);
LK_t	is derived in accordance with Special Condition 7.4 <u>3</u> (Transportation owner legacy K correction); <u>1</u> .
LTRU_t	is derived in accordance with Special Condition 7.5 (Transportation owner legacy TRU term);
NOCO_t	is derived in accordance with Special Condition 7.6 (Close out of the RHIO-1 Network Outputs);
NICE_t	is derived in accordance with Special Condition 7.7 (RHIO-GT1 network innovation competition); and
SSCO_t	is derived in accordance with Special Condition 7.8 (Close out of the RHIO-GT1 stakeholder satisfaction output).

~~Special Condition 7.2 Transportation owner legacy pass-through (LPT_t)~~

Introduction

~~7.2.1~~ The purpose of this condition is to calculate the term ~~LPT_t~~ (the transportation owner legacy ~~pass-through~~ term). This contributes to the calculation of the 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).

7.2.2 — The effect of this condition is to close out the RHO-GT1 allowed pass-through term such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects pass-through item adjustments relating to the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

Part A: Formula for calculating the transportation owner legacy pass-through term (LPT_t)

7.2.3 — For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, 2027/28 and onwards the value of LPT_t is derived in accordance with the following formula:

$$LPT_t = LRB_t + LLF_t + LOPTC_t$$

— where

LRB_t has the value of RB_t as determined in accordance with Part B of Special Condition 2B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021;

LLF_t has the value of LF_t as determined in accordance with Part C of Special Condition 2B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021; and

$LOPTC_t$ has the value of $OPTC_t$ as determined in accordance with Part D of Special Condition 2B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021.

7.2.47.1.4 — The value of LPT_t for Regulatory Years commencing on or after 1 April 2023 $LADJ_t$ and LK_t is zero.

Special Condition 7.3 Special Condition 7.2 Transportation owner legacy MOD ($LMOD_t$) AIP Adjustment term ($LADJ_t$)

Introduction

Introduction

7.3.1 — The purpose of this condition is to set out the process that the Authority will follow when directing a 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 Year commencing on 1 April 2023, 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.

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

7.3.6 Before making a direction under paragraphs 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

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

7.3.8 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, set out in accordance with the GT2 Price Control Financial Handbook.

Transportation owner legacy K correction (LK_t)

LADJ_t Introduction

The purpose of this condition is to calculate the term LK_t (the transportation owner legacy correction AIP Adjustment term). This contributes to the calculation of the term LAR_t (the transportation owner legacy adjustments term), which in turn feeds into the calculation of Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.2.1 The purpose of this condition is to set out the process that the Authority will follow when directing a values for $LADJ_t$ (the transportation owner legacy AIP Adjustment term). This contributes to the calculation of the term LAR_t (the transportation owner legacy adjustments term), which in turn feeds into the calculation of Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.3.97.2.2 The effect of this condition is to reflect the close out the RHO-GT1 correction term such that revenue in of the Regulatory Year commencing on 1 April 2021 reflects the correction value relating to the Regulatory Year commencing on 1 April 2019 GT2 Legacy Price Control Financial Model.

Part B: Formula for calculating the legacy correction term (LK_t)

Part A: For the Regulatory Year commencing on 1 April 2021 Authority aAssessment and direction

7.3.107.2.3 The value of LK_t LADJ_t is derived in accordance with the following formula:

$$\begin{aligned} LK_t &= -K_t \\ LADJ_t &= ADJ_t \end{aligned}$$

where:

K_t ADJ_t has the value of K_t as determined directed by the Authority in accordance with Part F of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021 Chapter 8 (Legacy) of the GT3 Price Control Financial Handbook.

~~7.3.11~~7.2.4 The value of LK_t for ~~For the Regulatory Years~~ commencing on or after 1 April 2022 2027/28 and onwards the value of ADJ_t is zero.

7.2.5 Before making a direction under this condition 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 7.4~~Special Condition 7.3~~ **Transportation owner legacy TRU term ($LTRU_t$)**Legacy K correction (LK_t)

Introduction

Introduction

~~7.4.1~~7.3.1 The purpose of this condition is to calculate the term $LTRU_t$ LK_t (the transportation owner legacy TRU correction term). This contributes to the calculation of the ~~term LAR_t~~ (legacy adjustments term in Special Condition 7.1 (the transportation owner legacy adjustments ~~term to revenue~~), which in turn feeds into the calculation of Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

~~7.4.2~~7.3.2 The effect of this condition is to reflect the close out the ~~RHO-GT1 TRU term such that revenue in of 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.~~ GT2 Legacy Price Control Financial Model.

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

~~7.4.3~~7.3.3 ~~For the Regulatory Years~~ commencing on 1 April 2021 to 1 April 2022, the The value of $LTRU_t$ LK_t is derived in accordance with the following formula:

$$LTRU_t = TRU_t \cdot RPIF_t$$

$$LK_t = K_t$$

~~7.4.4~~7.3.4 where:

TRU_t K_t ~~is derived~~ has the value directed by the Authority in accordance with Part D Chapter 8 (Legacy) of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) of this licence as in force on 31 March 2021; and the GT3 Price Control Financial Handbook.

$RPIF_t$ 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.

7.4.57.3.5 For the Regulatory Years commencing on 1 April 2023 to 1 April 2024, **2027/28 and onwards** the value of $LTRU_t$ is derived in accordance with the following formula: **zero.**

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

—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 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.

7.4.6—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, set out in accordance with the GT2 Price Control Financial Handbook.

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

Special Condition ~~7.5~~ Close out of the RHO-1 Network Outputs (NOCO_t)

Introduction

~~7.5.1~~ — The purpose of this condition is to set out the process for deciding the term NOCO_t (the RHO-1 Network Outputs close out term). This contributes to the calculation of the LAR_t term (the transportation owner legacy adjustment term), which in turns feeds into Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

~~7.5.2~~ — The effect of this condition is to adjust the licensee's revenue to reflect its RHO-1 Network Outputs delivery.

Part A: RHO-1 Network Outputs information to be provided by the licensee

~~7.5.3~~ — By 31 July 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:

~~(a) any RHO-1 Network Output in accordance with the relevant specifications; and~~

~~(b) any RHO-1 Materially Equivalent Outputs.~~

~~7.5.4~~ — By 1 December 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:

~~(a) any RHO-1 Justified Material Over-delivery; or~~

~~(b) any RHO-1 Justified Material Under-delivery.~~

Part B: Process for modifying the NOMs Incentive Methodology

~~7.5.5~~ — The Authority will modify the NOMs Incentive Methodology by direction.

~~7.5.6~~7.3.6 — Before making a direction under ~~paragraph~~this condition the Authority will publish on the Authority's Website:

~~(a) the text of the proposed direction;~~

~~(b)(a) the reasons for the proposed direction; and~~

(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 may be made, which will not be less than up to 28 days.

Part C: Process for directing unless the RIIO-1 Network Outputs term (NOCO_t)

7.5.7 — The Authority will assess the licensee's RIIO-1 Network Outputs delivery in accordance with the principles in Appendix 1, which are further clarified and supplemented by the NOMs Incentive Methodology.

~~7.5.81.1.1 — Before directing the value of NOCO_t, determines that the Authority will publish on the Authority's Website:~~

~~(a) the text of the proposed direction;~~

~~(a) the reasons why it proposes to issue the direction; and~~

~~(b) a period during which representations may be made on the proposed direction, which will not be less than 56 days.~~

Appendix 1

Treatment of under-delivery and over-delivery of RIIO-1 Network Outputs

Incentives	Justified	Unjustified
Over-delivery	Cost of over-delivery will be included in the licensee's revenue. The financing cost incurred by the licensee in advancing investment will be reimbursed. Reward of 2.5 per cent of the additional costs associated with the material over-delivery.	Cost of over-delivery will be included in the licensee's revenue. The licensee will incur the financing cost of earlier investment.
Under-delivery	Cost of under-delivery will be excluded from the licensee's revenue. The licensee will benefit from the financing cost of delayed investment.	Cost of under-delivery will be excluded from the licensee's revenue. The benefit arising to the licensee from the financing cost of delayed investment will be clawed back. Penalty of 2.5 per cent of the avoided costs associated with the material under-delivery.

Special Condition ~~7.6~~ RIIO-GT1 network innovation competition (NICE_t)

Introduction

7.6.1 — The purpose of this condition is to set out the process for deciding the term NICE_t (the network innovation competition term). This contributes to the calculation of the LAR_t term (the transportation owner legacy adjustment

term), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

7.6.2 — The NIC ran during the RHIO-GT1 price control period to fund innovative low carbon or environmental projects. Although it will no longer run for the licensee from 1 April 2021, this condition makes provision for arrangements that will enable the Authority to determine the value of NICF_t and for arrangements relating to the governance and administration of the NIC Funding.

7.6.3 — Parts A and B are supplemented by the relevant provisions of the NIC Governance Document.

Part A: The Funding Return Mechanism

(b)(c) The Authority may direct how the Returned Project Revenues should be paid to customers through the Funding Return Mechanism, or where the Authority considers it period is appropriate, how they should be retained by the licensee.

Part B: The network innovation competition term (NICF_t)

7.6.4 — In each Regulatory Year, in accordance with the appropriate provisions set out in the NIC Governance Document, the Authority will calculate, and then by direction given to the licensee, specify:

(a) the value of NICF_t for the licensee;

(b) the net amounts that are to be transferred between the licensee and other Gas Transporter Licensees in order to ensure that each Gas Transporter Licensee receives an amount (if any) equal to the proportion of the NIC Funding for Regulatory Year *t* that is attributable to its Eligible NIC Projects (adjusted to take into account the amount of any Funding Return); and

(c) the manner in which, and the timescale over which, the net amounts referred to in sub paragraph (b) are to be transferred.

Part C: The NIC Governance Document

7.6.5 — The licensee must comply with the NIC Governance Document.

7.6.6 — The Authority will amend the NIC Governance Document by direction.

7.6.7 — The Authority will publish the NIC Governance Document on the Authority's Website.

7.6.8 — The NIC Governance Document makes and will continue to make provision about:

(a) the process and procedures that will be in place for the assessment, approval and financing of project funding (where necessary);

- ~~(b) arrangements to ensure that relevant matters the licensee has learned from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees;~~
- ~~(c) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the NIC Governance Document);~~
- ~~(d) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and~~
- ~~(e) any other matters relating to the governance of the NIC.~~

~~Part D: Procedure for revising the NIC Governance Document~~

~~7.6.9 — Before amending the NIC Governance Document by direction, the Authority will publish on the Authority's Website:~~

- ~~(a) the text of the amended NIC Governance Document;~~
- ~~(b) the date on which the Authority intends the amended NIC Governance Document to come into effect;~~
- ~~(c) the reasons for the amendments to the NIC Governance Document; and~~
- ~~(d) a period during which representations may be made on the amendments to the NIC Governance Document, which will not be less than 28 days.~~

~~Special Condition 7.7 Close out of the RIIO-GT1 stakeholder satisfaction output (SSCO_t)~~

~~Introduction~~

~~7.7.1 — The purpose of this condition is to provide for the value of the term SSCO_t (the RIIO-GT1 stakeholder satisfaction output close out 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).~~

~~7.7.2 — The effect of this condition is to close out the RIIO-GT1 stakeholder satisfaction output, such that revenue in the Regulatory Years commencing 1 April 2021 and 1 April 2022 reflects the licensee's performance in relation to that output in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.~~

~~Part A: Formula for calculating the RHO-T1 stakeholder satisfaction output close out term (SSCO_t)~~

~~7.7.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022 the value of SSCO_t has the value of the SSO_t term derived in accordance with Part A of Special Condition 2C (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021.~~

~~7.7.4 This value of SSCO_t for the Regulatory Years commencing on or after 1 April 2023 is zero.~~

~~Part B: Amendment to the Stakeholder Engagement Reward Guidance~~

~~7.7.5 The Authority will amend the Stakeholder Engagement Reward Guidance by direction.~~

~~7.7.6 Before amending the Stakeholder Engagement Reward Guidance by direction, the Authority will publish on the Authority's Website:~~

- ~~(a) the text of the amended Stakeholder Engagement Reward Guidance;~~
- ~~(b) the date on which the Authority intends the amended Stakeholder Engagement Reward Guidance to come into effect;~~
- ~~(c) the reasons for the amendments to the Stakeholder Engagement Reward Guidance; and~~
- ~~(d) a period during which representations may be made on the amendments to the Stakeholder Engagement Reward Guidance, which will not be less than 28 days.~~

Special Condition 7.8~~Special Condition 7.4~~ Legacy net RAV additions (LRAV_t) and tax balances

Introduction

~~7.4.1 Introduction~~This~~The purpose of this condition explains~~is to explain the process that the Authority will follow when directing valuesopening balances for the term LRAV_t ~~(the legacy RHO-1 net RAV additions term)~~. This contributesand tax pool and tax loss balances.

~~7.8.1 The effect is to reflect the calculation~~close out of the term DPN_t ~~(the depreciation term as calculated by the GT2 Legacy Price Control Financial Model)~~, which in turn feeds into Calculated Revenue in Special Condition 2.1 ~~(Transportation owner revenue restriction)~~.

~~7.8.2~~7.4.2 ~~The effect is to reflect the close out of the RHO-GT1 Price Control Financial Model, in respect of legacy net RAV additions~~ and tax pool and tax loss balances.

Part A: Authority assessment and direction

Part A: The legacy net RAV additions term (LRAV_t)

7.4.3 The Authority will ~~direct revisions to~~ determine the value of LRAV_t, coinciding with the Annual Iteration Process and following implementation of closeout methodologies set out in the GT2 in accordance with the general financial adjustment methodology in Chapter 8 of the GT3 Price Control Financial Handbook and will direct the value in accordance with this condition.

Part B: Carry over of tax balances

~~7.8.3~~7.4.4 The Authority will determine the value of the terms OGP_t, OSRP_t, OSBP_t, ODRP_t, **LOSBP_t**, LODRP_t and OTL_t in accordance with the general financial adjustment methodology in Chapter 8 of the GT3 Price Control Financial Handbook and will direct the value in accordance with this condition.

~~7.8.41.1.1~~ ~~Before~~ What procedure will the Authority follow in 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)(a) 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 C: ?

7.4.5 Before making a direction under this condition 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 be up to 28 days **unless the Authority determines that a longer period is appropriate.**

Special Condition 7.9~~**Special Condition 7.5**~~ **System operator legacy adjustments (SOLAR_t)**

Introduction

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

7.5.2 **The value of SOLAR_t and its components are in nominal prices.**

Part A: Formula for calculating the SO legacy adjustments term (SOLAR_t)

7.9.27.5.3 The value of the SOLAR_t term is derived in accordance with the following formula:

$$SOLAR_t = SOLMOD_t + SOLK_t + SOLTRU_t + LCMCA_t + LCMIR_t + LTSS_t SOLADJ_t + SOLK_t$$

where:

SOLMOD_t <u>SOLADJ_t</u>	is derived in accordance with Special Condition 7.11 611 (System operator legacy MOD); <u>AIP adjustment term</u>); and
SOLK_t	is derived in accordance with Special Condition 7.12 712 (System operator legacy K correction);
SOLTRU_t	is derived in accordance with Special Condition 7.13 (System operator legacy TRU term);
LCMCA_t	is derived in accordance with Special Condition 7.15 (Close out of the RHO-GT1 Constraint Management cost adjustment);
LCMIR_t	is derived in accordance with Special Condition 7.14 (Close out of the RHO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue); and
LTSS_t	is derived in accordance with Special Condition 7.16 (Close out of the RHO-GT1 Transportation Support Services cost adjustment).

7.5.4 For the Regulatory Years 2027/28 and onwards the value of SOLADJ_t and SOLK_t is zero.

System operator legacy MOD (SOLMOD_t) AIP adjustment term (SOLADJ_t)

Introduction

7.9.3 The purpose of this condition is to set out the process that the Authority will follow when directing a values s for the term ~~SOLMOD_t~~SOLADJ_t (the system operator legacy MOD 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).~~

7.9.4 The effect of this condition is to reflect the close out of the GT1 Price Control Financial Model.

Part B: Authority Assessment and direction

7.9.5 For Regulatory Years commencing on 1 April 2021 and 1 April 2022 The value of SOLMOD_t 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.

7.9.6 For the Regulatory Year commencing 1 April 2023, 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.

7.9.7 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 7.10 System operator legacy K correction (*SOLK_t*)

Introduction

7.10.17.5.5 The purpose of this condition is to calculate the term *SOLK_t* (the system operator legacy correction AIP Adjustment term). This contributes to the calculation of the term *SOLAR_t* (the system operator legacy adjustments

term), which in turn feeds into the calculation of SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

~~7.10.27.5.6~~ The effect of this condition is to reflect the close out the ~~RHO-GT1~~ correction term such that revenue in of the Regulatory Year commencing on 1 April 2021 reflects correction values relating to the Regulatory Year commencing on 1 April 2019 GT2 Legacy Price Control Financial Model.

Part A: Formula for calculating the system operator legacy correction term (SOLK_t)

Part B: For the Regulatory Year commencing on 1 April 2021, the Authority Assessment and direction

~~7.10.37.5.7~~ The value of SOLK_tSOLADJ_t is derived in accordance with the following formula:

$$SOLADJ_t = SOADJ_t$$

where:

$$SOLK_t = -SOK_t$$

where:

SOK_t has the value of SOK_t as determined in accordance with Part E of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021.

The value of SOLK_t for

SOADJ_t has the value directed by the Authority in accordance with Chapter 8 (Legacy) of the GT3 Price Control Financial Handbook.

~~7.10.47.5.8~~ For the Regulatory Years commencing on or after 1 April 2022 2027/28 and onwards the value of SOADJ_t is zero.

7.5.9 Before making a direction under this condition 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 7.11 Special Condition 7.6 System operator legacy TRU term ($SOLTRU_t$) K correction ($SOLK_t$)

Introduction

Introduction

7.11.1—The purpose of this condition is to calculate the term $SOLTRU_t$ $SOLK_t$ (the system operator legacy TRU correction 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).

7.11.2—The effect of this condition is to close out the RHO-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 ($SOLTRU_t$)

7.11.3—For the Regulatory Years commencing on 1 April 2021 to 1 April 2022, The value of $LTRU_t$ is derived in accordance with the following formula:

$$SOLTRU_t = SOTRU_t \cdot RPIF_t$$

—calculation of where:

$SOTRU_t$ 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

$RPIF_t$ has the value of $RPIF_t$ 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.

7.11.4—For the Regulatory Years commencing on 1 April 2023 to 1 April 2024, the value of $SOLTRU_t$ 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:

$RPIA_t$ 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;

$RPIF_t$ 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.

$SOREV_{t-2}$ has the value of $SOREV_{t-2}$ 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.

$LPVF_t$ has the value derived in accordance with paragraph 7.13.5.

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.

7.11.5 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 in accordance with the GT2 Price Control Financial Handbook.

7.11.6 The value of $SOLTRU_t$ for Regulatory Years commencing on or after 1 April 2025 is zero.

Special Condition 7.12 Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue (LCMIR_t)

Introduction

7.12.1 The purpose of this condition is to calculate the term $LCMIR_t$ (the RIIO-GT1 Constraint Management incentive revenue close-out term). This contributes to the calculation of the $SOLAR_t$ term (the system operator legacy adjustments term), which in turn feeds into SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

7.12.2 The effect of this condition is to close out the RIIO-GT1 incentive in respect of Entry Capacity Constraint Management and Exit Capacity Constraint Management, such that revenue in Regulatory Years commencing 1 April 2021 and 1 April 2022 reflects the licensee's performance under that incentive in the Regulatory Years commencing 1 April 2019 and 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-GT1 Constraint Management incentive revenue close-out term (LCMIR_t)

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

$$LCMIR_t = R1CMIR_t \cdot RPIF_t$$

~~where:~~

$R1CMIR_t$ has, for Regulatory Year commencing on 1 April 2021, the value of $CMIR_t$ derived in accordance with Part F of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) of this licence as in force on 31 March 2021. For the Regulatory Year commencing on 1 April 2022 has the value of $CMIR_t$ derived in accordance with Part F of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) of this licence as in force on 31 March 2021 reflecting a $CMOpPM_{t-2}$ value of £-(minus)2.629m; and

$RPIF_t$ has the value of $RPIF_t$ 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.

7.12.4 For the Regulatory Years commencing on or after 1 April 2023, the value of $LCMIR_t$ is zero.

Special Condition 7.13 Close out of the RIIO-GT1 Constraint Management cost adjustment ($LCMCA_t$)

Introduction

7.13.1 The purpose of this condition is to calculate the term $LCMCA_t$ (the RIIO-GT1 Constraint Management cost adjustment close-out term). This contributes to the calculation of the $SOLAR_t$ term (the system operator legacy adjustments term), which in turn feeds into 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 adjustment in respect of Entry Capacity Constraint Management and Exit Capacity Constraint Management costs, such that revenue in the Regulatory Years commencing 1 April 2021 and 1 April 2022 reflects the appropriate adjustment for costs in Regulatory Years commencing 1 April 2019 and 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-GT1 Constraint Management cost adjustment close-out term ($LCMCA_t$)

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

$$LCMCA_t = R1CMCA_t \cdot RPIF_t$$

————— where:

$R1CMCA_t$ has the value of $CMCA_t$ derived in accordance with Part G Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) of this licence as in force on 31 March 2021; and

$RPIF_t$ has the value of $RPIF_t$ 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 or after 1 April 2023, the value of $LCMCA_t$ is zero.

Special Condition 7.14 Close out of the RHO-GT1 Transportation Support Services adjustment ($LTSS_t$)

Introduction

~~7.14.1~~7.6.1 The purpose of this condition is to calculate the term $LTSS_t$ (the RHO-GT1 transportation support services adjustment close out term). This contributes to the calculation of the $SOLAR_t$ term (the system operator legacy adjustments term), which in turn feeds into SO Allowed Revenue in Special Condition 2.3 (System operator revenue restriction).

~~7.14.2~~7.6.2 The effect of this condition is to reflect the close out the RHO-GT1 transportation support services adjustment, such that revenue in of the Regulatory Years commencing 1 April 2021 and 1 April 2022 reflects the appropriate adjustment for costs in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively GT2 Legacy Price Control Financial Model. **correction term.**

Part A: Formula for calculating the RHO-GT1 transportation support services adjustment close out term ($LTSS_t$ system operator legacy correction term ($SOLK_t$))

7.6.3 The value of $SOLK_t$ is derived in accordance with the following formula:

$$SOLK_t = SOK_t$$

where:

~~7.14.3~~ For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of $LTSS_t$ has the value of TSS_t as calculated in accordance with Part A of Special Condition 3C (NTS Transportation Support Services) of this licence as in force on 31 March 2021.

For the Regulatory Years commencing on or after 1 April 2023,

SOK_t has the value directed by the Authority in accordance with Chapter 8 (Legacy) of the GT3 Price Control Financial Handbook.

~~7.14.4~~7.6.4 For the Regulatory Years 2027/28 and onwards the value of $LTSS_t$ SOK_t is zero.

7.6.5 Before making a direction under this condition 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 be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 7.15~~Special Condition 7.15~~ **System operator legacy net RAV additions (SOLRAV_t) and tax balances**

Introduction

~~7.15.1~~7.7.1 ~~This~~The purpose of this condition explainsis to explain the process that the Authority will follow when directing ~~values~~opening balances for the term SOLRAV_t (the SO legacy RHO-1 net RAV additions term). This contributes to the calculation of the term SODPN_t (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).system operator legacy net RAV additions and tax pool and tax loss balances.

~~7.15.2~~7.7.2 ~~The effect is to reflect the close out of the RHO-GT1~~GT2 Legacy Price Control Financial Model in respect of SOsystem operator legacy net RAV additions and tax pool and loss balances.

Part A: Authority assessment and direction

Part A: The Authority will direct revisions to ~~The SO legacy net RAV additions term (SOLRAV_t, coinciding)~~

~~7.15.3~~7.7.3 ~~The Authority will determine the value of SOLRAV_t in accordance with the Annual Iteration Process and following implementation of closeout methodologies set out in the GT2~~general financial adjustment methodology in Chapter 8 of the GT3 Price Control Financial Handbook and will direct the value in accordance with this condition.

Part B: Carry over of tax balances

7.7.4 ~~The Authority will determine the value of the terms SOOGP_t, SOOSRP_t, SOODRP_t, SOLOSBP_t, SOLODRP_t and SOOTL_t in accordance with the general financial adjustment methodology in Chapter 8 of the GT3 Price Control Financial Handbook and will direct the value in accordance with this condition.~~

Part C: What procedure will the Authority follow in making a direction?

~~7.15.4~~7.7.5 ~~Before making a direction under paragraph 7.17.3~~this condition the Authority will publish on the Authority's Website:

~~(a) the text of the proposed direction;~~

~~(b)(a) the reasons for the proposed direction; and~~

(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~~ up to 28 days; unless the Authority determines that a longer period is appropriate.

Chapter 8: Governance

Special Condition 8.1 Governance of the ~~GT2~~GT3 Price Control Financial Instruments

Introduction

8.1.1 The purpose of this condition is to establish:

- (a) the ~~GT2~~GT3 Price Control Financial Instruments; and
- (b) a robust and transparent change control framework for the ~~GT2~~GT3 Price Control Financial Instruments;

Part A: The ~~GT2~~GT3 Price Control Financial Instruments

8.1.2 Each of the following ~~GT2~~GT3 Price Control Financial Instruments forms part of this condition:

- (a) the ~~GT2~~GT3 Price Control Financial Handbook; and
- (b) the ~~GT2~~GT3 Price Control Financial Model.

Part B: Modification of the ~~GT2~~GT3 Price Control Financial Instruments

8.1.3 The Authority may ~~directly~~ by direction make modifications to the ~~GT2~~GT3 Price Control Financial Instruments under this Part at any time during the Price Control Period where:

- (a) it becomes aware of a modification that will improve the functionality or clarity of the ~~GT2~~GT3 Price Control Financial Instruments; and
- (b) the modification will have no impact on the licensee's Allowed Revenue or SO Allowed Revenue.

8.1.4 For the purposes of paragraph 8.1.3(b), it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue or SO Allowed Revenue. This is without prejudice to the ~~licensee's~~ licensee's right to make representations to the Authority that a particular modification will have an impact on the ~~licensee's~~ licensee's Allowed Revenue or SO Allowed Revenue.

8.1.5 The following categories of ~~modifications~~ modification may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;

- (d) consequential changes required to reflect modifications made to the special conditions such as the addition or removal of PCFM Variable Values; and
- (e) correction of manifest errors; such as discrepancies between the ~~GT2~~GT3 Price Control Financial Instruments and between the ~~GT2~~GT3 Price Control Financial Instruments and the other special conditions.

8.1.6 ~~Circumstances in which~~The following do not constitute a modification ~~may be made~~of the GT3 Price Control Financial Model:

- (a) entering a PCFM Variable Value into the GT3 Price Control Financial Model;
- (b) changing the filename of the spreadsheet containing the GT3 Price Control Financial Model; and
- (c) changing the publication date on the Cover sheet of the GT3 Price Control Financial Model.

Part C: Procedure for making a direction

8.1.7 Before making a direction under paragraph 8.1.3, the Authority will:

- (a) consider ~~any views expressed and~~ representations made by the ~~GT2~~GT3 Price Control Financial Model Working Group in relation to modifications of the type set out in ~~paragraphs~~paragraph 8.1.5(a) to (e); and
- (b) publish on the Authority's Website:
 - i. the text of the proposed direction;
 - ii. the reasons for the proposed direction, including why the Authority believes that the modification meets the requirements of paragraphs 8.1.3 and 8.1.5; and
 - iii. a period during which representations may be made on the proposed direction, which will ~~not be less than 28 days~~be up to 28 days unless the Authority determines that a longer period is appropriate.

8.1.8 A direction under paragraph 8.1.3 will set out:

- (a) the modifications to the ~~GT2~~GT3 Price Control Finance Instruments; and
- (b) the date from which it is to have effect or the mechanism by which that date is to be determined.

Part C:Part D: Availability and updating of ~~GT2~~GT3 Price Control Financial Instruments

8.1.9 ~~This Part has effect in relation~~The Authority will maintain on the Authority's Website ~~an up to the publication and availability date copy~~ of the ~~GT2~~GT3 Price Control Financial ~~Handbook, and~~Instruments throughout the ~~GT2~~Price Control Financial ModelPeriod.

8.1.10 The Authority will ensure that any modifications of the ~~GT2~~GT3 Price Control Financial Instruments, whether under ~~Part B~~this condition or

otherwise under section 23 of the Gas Act 1986, are promptly incorporated into a consolidated version of the GT2 Price Control Financial Instruments maintained on the Authority's Website.

~~8.1.11 Without limiting the general effect of paragraph 8.1.9, The Authority will :~~

- ~~(a) publish on the Authority's Website, the a version of the GT2GT3 Price Control Financial Model containing the updated value of AR_t and $SOAR_t$ following the licensee's annual publication of the GT3 Price Control Financial Model that will be used to calculate and publish the value of the terms $ADJR_t$, AR_t , $SOADJR_t$ and $SOAR_t$ in accordance with the calculation set out in Part B of Special Condition under paragraph 2.1 (Revenue restriction), ahead of each Annual Iteration Process and;~~
- ~~(b) publish on the Authority's Website, the version of the "GT2 Price Control Financial Model used to calculate and publish the value of the terms $ADJR_t$, AR_t , $SOADJR_t$ and $SOAR_t$ in accordance with the calculation set out in Part C of Special Condition 2.1 (Revenue restriction), following each Annual Iteration Process, by no later than 31 January prior to each Regulatory Year.~~

~~8.1.12 The first Regulatory Year in which the Authority will publish a version of the GT2 Price Control Financial Model on the Authority's Website for the purposes of paragraph 8.1.10 will be Regulatory Year 2021/22 and the last Regulatory Year will be 2024/25.~~

Special Condition 8.2 Annual Iteration Process for the GT2 Price Control Financial Model

Introduction

~~8.2.18.1.11 The purpose of this condition is to set out the steps of the Annual Iteration Process that will be carried out by the licensee and the Authority each year in relation to the GT2 Price Control Financial Model, in order to calculate and publish the value of the terms $ADJR_t$ and AR_t in accordance with the calculation set out in 7 of Special Condition 2.1 (Transportation owner revenue restriction) and $SOADJR_t$ and $SOAR_t$ in accordance with the calculation set out in under 2.3.7 of Special Condition 2.3 (System operator revenue restriction).~~

8.2.2 — This condition also explains the process the Authority will follow in issuing and amending the PCFM Guidance.

Part A: Steps comprising the Annual Iteration Process

8.2.3 — The paragraphs in this Part set out the steps that comprise the Annual Iteration Process.

8.2.4 — Step 1: The licensee must, by 30 September prior to each Regulatory Year:

- (a) use the version of the GT2 Price Control Financial Model published by the Authority in accordance with paragraph 8.1.10b or where there has been a republication, the version most recently published to complete the PCFM Variable Values table with the PCFM Variable Values in accordance with the PCFM Guidance;
- (b) run the macro on the “UserInterface” sheet of the GT2 Price Control Financial Model to calculate the value of the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$;
- (c) save the GT2 Price Control Financial Model; and
- (d) submit the GT2 Price Control Financial Model to the Authority.

8.2.5 — Step 2: The Authority will, taking into account any decisions made by it in relation to PCFM Variable Values under Chapters 2 to 7 of this licence:

- (a) review the GT2 Price Control Financial Model submitted by the licensee and confirm or amend any PCFM Variable Values; or
- (b) where the licensee has not complied with Step 1, complete the PCFM Variable Values table.

8.2.6 — Step 3: The Authority will run the macro on the “UserInterface” sheet of the GT2 Price Control Financial Model to calculate the value of the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$.

8.2.7 — Step 4: The Authority will publish the value of the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$ on the Authority's Website in accordance with Part B.

8.2.8 — In relation to Step 1 in paragraph 8.2.4:

- (a) where a PCFM Variable Value is not known at the time of submission, the licensee must calculate that value in accordance with the GT2 Price Control Financial Handbook or the PCFM Guidance, as applicable and otherwise provide its best estimate using the information available at the time; and
- (b) where any PCFM Variable Value relies on a third party publication that ceases to be published or no longer contains the value required, the value from the most recent publication that did contain the value, or an alternate input agreed to by the Authority must be used.

~~Part B: Publication of the value of the terms $ADJR_t$, AR_t , $SOADJR_t$ and $SOAR_t$~~

~~8.2.9 — The value of the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$ will be published by the Authority no later than 31 January prior to each Regulatory Year.~~

~~8.2.10 — The Authority may re-publish the values of the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$ by the end of May during the Regulatory Year t .~~

~~8.2.11 — Before publishing or re-publishing the value of the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$, the Authority will:~~

~~(a) send to the licensee:~~

- ~~i. — a notice stating the values for the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$ that it proposes to publish; and~~
- ~~ii. — a copy of the GT2 Price Control Financial Model, which will contain the data used to calculate the values proposed for the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$; and~~

~~(b) specify a period during which representations may be made, which will not be less than 14 days.~~

~~Part C: What if the Annual Iteration Process is not completed by 31 January?~~

~~8.2.12 — If the Authority does not publish values for the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$ by 31 January prior to any Regulatory Year, then the Annual Iteration Process will not have been completed and the provisions set out in paragraphs 8.2.13 and 8.2.14 will apply.~~

~~8.2.13 — The Authority will complete the Annual Iteration Process as soon as is reasonably practicable after 31 January by publishing values for the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$.~~

~~8.2.14 — In the intervening period (Between the 31 January and the date the values of the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$ are published under paragraph 8.2.13), the values of the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$ will be held to be equal to a value ascertained by:~~

~~(a) taking a copy of the GT2 Price Control Financial Model in its state following the last completed Annual Iteration Process or re-publication which, for the avoidance of doubt, will exclude the effect of any functional modifications under paragraph 8.1.3 of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments) made after the completion of that Annual Iteration Process;~~

~~(b) using the selection facilities on the “UserInterface” sheet contained in that copy of the GT2 Price Control Financial Model to select:~~

- ~~i. — the name of the licensee;~~

- ii. ~~the Regulatory Year equating to the Regulatory Year t ;~~
- ~~(c) pressing the “Run for One” macro button on the “UserInterface” sheet;~~
~~and~~
- ~~(d) recording the value of the terms $ADJR_t$, AR_t , $SOADJR_t$, and $SOAR_t$ that are shown as output values in the “SavedResults” sheet.~~

~~Part D: The final year of the GT2 Annual Iteration Process and other clarifications~~

~~8.2.15—The last Regulatory Year in which there will be an Annual Iteration Process for the GT2 Price Control Financial Model is 2024/2025 for the purpose of determining the value of the terms $ADJR_t$ and $SOADJR_t$ for Regulatory Year 2025/26.~~

~~8.2.16—For the avoidance of doubt, neither:~~

~~(a) an Annual Iteration Process for the GT2 Price Control Financial Model carried out in accordance with this condition, including in particular the steps set out in Part A; nor~~

~~(b) a change to the Regulatory Year included in the name of and text within the GT2 Price Control Financial Model~~

~~will constitute a modification of the GT2 Price Control Financial Model within the meaning of Part C of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments).~~

~~8.2.17—Where any PCFM Variable Values are revised for years earlier than Regulatory Year t , the effect of using those revised values in the Annual Iteration Process will, subject to a Time Value of Money Adjustment, be reflected in the updated calculation of the value of the terms $ADJR_t$, AR_t , $SOADJR_t$ and $SOAR_t$ for Regulatory Year t and, for the avoidance of doubt, it will not have any retrospective effect on a previously published value of the terms $ADJR_t$ and $SOADJR_t$.~~

~~Part E: The PCFM Guidance~~

~~8.2.18—The licensee must comply with the PCFM Guidance when completing the Annual Iteration Process.~~

~~8.2.19—The Authority will issue and amend the PCFM Guidance by direction.~~

~~8.2.20—The Authority will publish the PCFM Guidance on the Authority's Website by the PCFM functional change cut-off date set out in the GT2 Price Control Financial Handbook.~~

~~8.2.21—The PCFM Guidance will make provision about:~~

~~(a) instructions and guidance on how to populate the PCFM Variable Values for submission for an Annual Iteration Process;~~

~~(b) instructions and guidance on the process and timeframe for reporting and submitting the required data; and~~

~~(c) any requirements for supporting information, documentation or commentary that are to be submitted.~~

~~8.2.22 — Before issuing the PCFM Guidance by direction the Authority will publish on the Authority's Website:~~

~~(a) the text of the proposed PCFM Guidance;~~

~~(b) the date on which the Authority intends the PCFM Guidance to come into effect; and~~

~~(c) a period during which representations may be made on the content of the PCFM Guidance, which will not be less than 28 days.~~

~~8.2.23 — Before amending the PCFM Guidance by direction, the Authority will publish on the Authority's Website:~~

~~(a) the text of the amended PCFM Guidance;~~

~~(b) the date on which the Authority intends the amended PCFM Guidance to come into effect;~~

~~(c) the reasons for the amendments to the PCFM Guidance; and~~

~~(d) a period during which representations may be made on the amendments to the PCFM Guidance, which will not be less than 28 days.~~

Chapter 9: General obligations

Special Condition 9.1 Annual Environmental Report

Introduction

- 9.1.1 This condition requires the licensee to prepare and publish an Annual Environmental Report.
- 9.1.2 The purpose of an Annual Environmental Report is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and in relation to the licensee's progress against its Environmental Action Plan Commitments.
- 9.1.3 This condition also explains the process that the Authority will follow in issuing and amending the Environmental Reporting Guidance, ~~which~~.
- ~~9.1.3~~9.1.4 The licensee must comply with the Environmental Reporting Guidance when preparing its Annual Environmental Report.

Part A: Requirement to prepare and publish an Annual Environmental Report

- ~~9.1.4~~9.1.5 The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance.
- ~~9.1.5~~9.1.6 The licensee must publish an Annual Environmental Report for the preceding Regulatory Year on, or before, the date specified in the Environmental Reporting Guidance.
- ~~9.1.6~~9.1.7 The licensee must ensure its Annual Environmental Report is readily accessible to the public from the licensee's website.
- 9.1.8 The Annual Environmental Report must consist of two sections as per the Environmental Reporting Guidance: a quantitative **key performance indicator** ~~KPI~~ section and a predominantly qualitative commentary section.
- 9.1.9 The licensee must submit all the data presented in the Annual Environmental Report to the Authority in a format prescribed in the Environmental Reporting Guidance. The submission date should align with the publication of the Annual Environmental Report.

Part B: Environmental Reporting Guidance

- ~~9.1.7~~9.1.10 The Authority will issue and amend the Environmental Reporting Guidance by direction.
- ~~9.1.8~~9.1.11 The Authority will publish the Environmental Reporting Guidance on the Authority's Website.
- ~~9.1.9~~9.1.12 The Environmental Reporting Guidance will set out how the licensee must prepare its Annual Environmental Report, including the following:

- (a) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Annual Environmental Report;
- (b) the requirements for the structure and level of detail to be included in the Annual Environmental Report, including some of the data metrics to be used, as well as expectations about the level of explanatory text to be included; **and**
- (c) the format for submitting information to the Authority **as required under paragraphs 9.1.8 and 9.1.9;** and
- ~~(c)~~(d) the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.

~~9.1.10~~9.1.13 Before issuing the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:

- (a) the text of the proposed Environmental Reporting Guidance;
- (b) the date on which the Authority intends the Environmental Reporting Guidance to come into effect; and
- (c) a period during which representations may be made on the content of the Environmental Reporting Guidance, which will ~~not be less than 28 days~~ be up to 28 days **unless the Authority determines that a longer period is appropriate.**

~~9.1.11~~9.1.14 Before amending the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:

- (a) the text of the ~~amended~~proposed amendments to the Environmental Reporting Guidance;
- (b) the date on which the Authority intends the amended Environmental Reporting Guidance to come into effect, ~~which, unless agreed with the licensee, will not be before three months from the date of publication or the commencement of the next full reporting year~~subsequent Regulatory Year **following publication**, whichever is later;
- (c) the reasons for the proposed amendments to the Environmental Reporting Guidance;
- (d) how the proposed reporting requirements provide an appropriate balance ~~on~~**between the** costs of reporting and benefit of **the** information created; and
- (e) a period during which representations may be made on the proposed amendments to the Environmental Reporting Guidance, which will ~~not be less than~~up to 28 days **unless the Authority determines that a longer period is appropriate.**

Special Condition 9.2 Network Asset Risk Metric methodology

Introduction

9.2.1 ~~The purpose of This condition is to set out~~sets out:

- (a) the requirements on the licensee in respect of the NARM Methodology;
- ~~(b) It also sets out the NARM Objectives;~~
- ~~(b)(c) the process for modifying the NARM Methodology, where the proposed modifications have a material impact on the Baseline Network Risk Outputs;~~
- (d) the process for modifying the NARM Methodology where the proposed modifications do not have a material impact on the Baseline Network Risk Outputs;
- (e) the requirements on the licensee in respect of the Information Gathering Plan; and
- (f) the requirements on the licensee, to work with all relevant DN Operators, where appropriate the licensee has similar assets, to develop produce an Engineering Guidance Document.

Part A: Requirement to have a NARM Methodology

- 9.2.2 The licensee must have in place and act in accordance with a NARM Methodology that facilitates the achievement of the NARM Objectives.
- 9.2.3 ~~The NOMs~~NARM Methodology in effect on 31 March 2021~~approved by the Authority and effective from 1 April 2026~~ is deemed to be the NARM Methodology ~~in effect from 1 April 2021~~ until superseded.

Part B: The NARM Objectives

- 9.2.4 The NARM Objectives are:
 - (a) to provide transparent, logical links between:
 - i. the Asset Data that the licensee collects through inspections, maintenance, and other asset management activities;
 - ii. the data that the licensee inputs into its Asset Management Systems;
 - iii. the licensee's asset management decisions; and
 - iv. where relevant, the licensee's whole system investment decisions;
 - (b) to enable the Authority to establish the licensee's Baseline Network Risk Outputs and to undertake an objective assessment of the licensee's Baseline Network Risk Output delivery;
 - (c) to enable the robust estimation of Current Monetised Risk, Forecast Monetised Risk, Single-year Monetised Risk, and Long-term Monetised Risk of asset failure for:
 - i. each NARM Asset Category;
 - ii. individual NARM Assets within each NARM Asset Category; and
 - iii. the NTS;
 - (d) to enable the robust estimation of the Current Monetised Risk and Long-term Monetised Risk benefits delivered, or expected to be delivered, through interventions on specific assets or groups of assets;
 - (e) to provide inputs to help explain and justify, through Cost-Benefit Analysis:

- i. the licensee's investment plans for managing and renewing its NARM Assets; and
 - ii. the licensee's outturn delivery of investment options;
- (f) to enable the identification and quantification of drivers leading to changes in Monetised Risk over time;
- (g) to enable the comparative analysis of Monetised Risk between:
 - i. different NARM Asset Categories and between individual NARM Assets on the NTS;
 - ii. geographic areas of, and NARM Assets within, the NTS;
 - iii. the NTS and other networks within the same sector;
 - iv. the NTS and networks outside and within Great Britain with similar assets should similar approaches as set out in the NARM Methodology be applied to estimate Monetised Risk for those networks; and
 - v. the NTS and Distribution Networks within Great Britain; and
- (h) to enable the communication to the Authority and other interested parties of relevant information about the NTS in an accessible and transparent manner.

Part C: ~~Modification~~Modifications of the NARM Methodology that have a material impact on the Baseline Network Risk Output

- 9.2.5 The licensee must, at least once every year, review the NARM Methodology to identify scope for modifications that would better facilitate the achievement of the NARM Objectives.
- 9.2.6 Where the licensee has identified scope for modifications that **would** better facilitate the achievement of the NARM Objectives **which would have a material impact on the licensee's Baseline Network Risk Output**, it must notify the Authority of the timeframes within which it will propose the relevant modifications to the NARM Methodology.
- 9.2.7 Where the licensee proposes a modification to the NARM Methodology under this Part, it must:
 - (a) consult with other Network Licensees to which a condition of equivalent effect to this condition applies and with any other interested parties, allowing them a period of at least 28 days within which to make any representations on the proposed modification; and
 - (b) submit to the Authority a report containing:
 - i. a statement explaining the proposed modification to the NARM Methodology; and
 - ii. an explanation of how, in the licensee's opinion, the proposed modification, if made, would better facilitate the achievement of the NARM Objectives;
 - (c) submit to the Authority a draft NARM Methodology that incorporates the proposed modification;

- (d) submit to the Authority any relevant subsidiary or supporting documents, data files, or quantitative models;
- (e) submit to the Authority a full and fair summary of any representations that were made to the licensee pursuant to sub-paragraph (a) and not withdrawn;
- (f) submit to the Authority an explanation of any changes to the modification proposal that the licensee has made as a consequence of the representations received;
- (g) submit to the Authority a presentation of the data and any other relevant information (including historical data, which should be provided, where reasonably practicable and relevant, for a period of at least ten years prior to the date of the modification proposal) the licensee has used for the purpose of developing the proposed modification;
- (h) submit to the Authority a plan setting out how the licensee intends to rebase its Baseline Network Risk Outputs, if Rebasing is a necessary consequence of implementing the proposed modification; and
- (i) submit to the Authority a timetable for the implementation of the proposed modification, including a date for submission of Rebased Baseline Network Risk Outputs, if necessary.

9.2.8 The Authority will by direction:

- (a) approve the proposed modification;
- (b) approve the proposed modification with amendments; or
- (c) reject the proposed modification.

9.2.9 In the case of paragraph 9.2.98(a) or (b) the Authority may also direct the date by which the licensee must submit Rebased Baseline Network Risk Outputs in accordance with Special Condition 3.1 (Baseline Network Risk Outputs).

9.2.10 The licensee must implement the modification directed under paragraph 9.2.98(a) or (b) by such date as may be set out in that direction.

9.2.11 Before issuing a direction under paragraph 9.2.98, the Authority will publish on the Authority's Website:

- ~~(b)~~(a) _____ the text of the proposed direction;
- ~~(c)~~(b) _____ the date on which the Authority intends the proposed direction to come into effect;
- ~~(d)~~(c) _____ the reasons why it proposes to issue the direction; and
- ~~(e)~~(d) _____ a period during which representations may be made on the proposed direction, which will not be less than 28 days be up to 28 days unless the Authority determines that a longer period is appropriate.

Part D: Modifications of the NARM Methodology that do not have a material impact on the Baseline Network Risk Output

9.2.12 The licensee may propose modifications under this Part of the type set out in paragraph 9.2.13 where:

- (a) the modification would improve the clarity of the NARM Methodology;
- (b) the modification will have no material impact on the licensee's :
- (c) Baseline Network Risk Output; or
- (d) delivery against its Baseline Network Risk Output.

9.2.13 The following categories of modifications may be proposed under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming, or re-ordering of sections or appendices;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions such as the addition, removal or modification of defined terms; and
- (e) corrections of manifest errors.

9.2.14 Where the licensee proposes a modification under this Part, it must send to the Authority a statement that sets out:

- (a) the proposed modification to the NARM Methodology;
- (b) how, in the licensee's opinion, the proposed modification, if made, would improve the clarity of the NARM Methodology; and
- (c) the materiality of the proposed modification on the licensee's Baseline Network Risk Output.

9.2.15 The Authority must by direction:

- (a) approve the proposed modification;
- (b) approve the proposed modification with amendments;
- (c) reject the proposed modification; or
- (d) reject the proposed modification and direct the licensee to make a further submission under this Part or Part C.

9.2.16 A direction under paragraph 9.2.15 will likely be insufficiently significant to warrant publication or formal consultation, but the Authority will consider this on a case-by-case basis.

Part E: Information Gathering Plan

9.2.17 The licensee must provide the Authority with a plan (the “an Information Gathering Plan”) by 01 October 2026.

9.2.18 The Information Gathering Plan must:

- (a) set out how the licensee will gather and record the information required for its implementation of the NARM Methodology; and
- (b) include the scope and form of the data that the licensee collects and the frequency with which data is collected to enable the licensee to report on progress against its Baseline Network Risk Output in accordance with its NARM Methodology annually, in accordance with the RIGs.

9.2.19 The Authority, after reviewing the Information Gathering Plan submitted to it under 9.2.17, and having consulted the licensee and any other interested parties that the Authority considers it appropriate to consult, may:

- (a) approve the plan without modification if it is satisfied that it facilitates with the provisions set out in 9.2.18; or
- (b) direct the licensee to modify the Information Gathering Plan, in such manner, to such extent, and with effect from such date as may be specified in the direction, so that it will, in the Authority’s opinion, having considered any representations received, enable the licensee to so report.

9.2.20 The licensee must, at least once every year, review the Information Gathering Plan and where necessary modify it, to ensure that it complies with the requirements of paragraph 9.2.18.

- (a) keep the Information Gathering Plan under review and in particular must conduct a review when directed to do so by the Authority; and
- (b) modify the Information Gathering Plan, where necessary to ensure that it complies with the requirements of paragraph 9.2.18.

Part F: Engineering Guidance Document

9.2.21 The licensee must, and work where the licensee has similar assets to DN Operators, working in co-operation with those DN Operators where appropriate, produce an Engineering Guidance Document (“the GT Engineering Guidance Document”) on key asset condition data inputs to the NARM Methodology.

9.2.22 The licensee must submit the GT Engineering Guidance Document to the Authority for regulatory approval by 01 April 2028.

9.2.23 The objectives of the GT Engineering Guidance Document are to:

- (a) establish common standards for reporting asset condition data and data inputs for all assets in the NARM Methodology;
- (b) provide guidance on capturing asset condition data, including the provision of visual and descriptive aids where relevant; and

(c) promote best practices for assessing and recording asset condition data

9.2.24 The Authority, after reviewing the GT Engineering Guidance Document submitted to it under 9.2.22, and having consulted the licensee and any other interested parties that the Authority considers it appropriate to consult, may:

(a) approve the GT Engineering Guidance Document without modification if it is satisfied that it facilitates the objectives set out in 9.2.23; or

(b) direct the licensees to modify the GT Engineering Guidance Document, in such manner, to such extent, and with effect from such date as may be specified in the direction, so that it will, in the Authority's opinion, having considered any representations received, facilitates the objectives set out in 9.2.23.

9.2.25 The licensee must keep the Engineering Guidance Document under review ~~keep~~, at least once every year, review the GT Engineering Guidance Document to identify scope for modifications and where necessary modify it, ~~subject to the Authority's consent~~, to ensure that it continues to meet the objectives set out in paragraph 9.2.23 9.2.22.

Special Condition 9.3 Price Control Deliverable assessment principles and reporting requirements

Introduction

9.3.1 The purpose of this condition is to set out the assessment principles the Authority will apply in deciding whether to make a direction where an Evaluative ~~PCD~~Price Control Deliverable (PCD) has not been Fully Delivered and in deciding the contents of such a direction.

9.3.2 This condition requires the licensee to report to the Authority on the delivery of its Evaluative PCDs and provides for the issuing and amending of the PCD Reporting Requirements and Methodology Document.

Part A: Evaluative PCD assessment principles

9.3.3 In deciding whether to make a direction ~~to adjust allowances where an Evaluative PCD has not been Fully Delivered~~under this condition and in deciding the contents of such a direction, the Authority will apply the following assessment principles:

(a) where an output is Fully Delivered With An Alternative Specification and the licensee demonstrates that any underspend against the associated allowances ~~are~~is attributable to Efficiency or Innovation, the Authority will not make any adjustment to the associated allowance;

(b) where an output is Fully Delivered With An Alternative Specification, and:
i. the licensee demonstrates that any overspend against the associated allowances was efficiently incurred; and

ii. the licensee provides a justified estimate of the Authority is satisfied that the licensee has demonstrated the proportion of increased Consumer Outcome associated with the work delivered,

the Authority may direct an upwards adjustment to the associated allowance. The Authority may direct an adjustment of any value between 0 and the Authority's view of efficiently incurred overspend that delivers the increased Consumer Outcome. When making such a direction, the adjustment will be in the form of a negative value inputted into the formula for the relevant Evaluative PCD term, in order to result in an upwards adjustment;

~~(b)~~(c) where an output is Not Delivered, the Authority may direct a reduction to the associated allowance up to the total amount of the allowance, save that the Authority will allow the licensee the costs of undertaking reasonable and necessary work until the decision to not deliver the output, where the licensee demonstrates that such costs were reasonable, necessary, incurred efficiently and not otherwise funded by the special conditions of this licence;

~~(c)~~(d) where an output is Delayed, the Authority may direct a re-profiling of the associated allowance to match the profile of the actual delivery of work or expenditure, where re-profiling would have a material impact on allowances;

~~(d)~~(e) where the output is Partially Delivered or Partially Delivered With Alternative Specification, and:

i. the licensee demonstrates that any underspend against the associated allowances are attributable to Efficiency or Innovation; and

ii. the licensee provides a justified estimate of the Authority is satisfied that the licensee has demonstrated the proportion of the output or Consumer Outcome associated with the work delivered,

the Authority may direct ~~an~~ a downwards adjustment to the associated allowances only in accordance with the following formula:

$$\text{Adjustment to allowances} = ((1 - \text{proportion of output or Consumer Outcome delivered}) * \text{associated allowance})$$

~~(e)~~(f) where none of the circumstances described in sub-paragraphs ~~(b)~~ 9.3.3 (a) to (d) apply, the Authority may direct an adjustment to the associated allowances such as to allow only the efficient costs of any work carried out that contributes to the delivery of the output. When deciding on the value of any such adjustment, the Authority will:

i. have due regard to the particular characteristics of the output; and

ii. have due regard to any factors that are outside of the licensee's control and that may have affected the ability of the licensee to have Fully DeliverDelivered the output; and

~~(f)~~(g) establish efficient costs using the following methods:

(A) ~~(AA)~~ where these are available, using benchmarking against historical cost data; or

(B) ~~(BB)~~ where historical cost data is not available, using bespoke engineering and cost assessment, employing qualitative techniques to supplement technical ~~metods~~ methods;

~~(g)~~ (h) the Authority will not direct an increase to allowances for an Evaluative PCD that has not been Fully Delivered; or Fully Delivered With An Alternative Specification in accordance with 9.3.3(b); The only instance in which the Authority may direct an increase to allowances for an Evaluative PCD is when it is Fully Delivered With An Alternative Specification in accordance with 9.3.3 (b);

~~(h)~~ (i) any adjustment to an associated allowance will proportion that allowance to Regulatory Years in accordance with the profile of actual expenditure reported by the licensee; and

~~(i)~~ (j) the split between fast money and the RAV for any adjustments will be as set out in the ~~GT2~~ GT3 Price Control Financial Model.

Part B: Reporting requirement

- 9.3.4 The licensee must by 31 July of each Regulatory Year, or such later date directed by the Authority, send to the Authority a Basic PCD Report on each Evaluative PCD ~~output~~ for which the delivery date specified in the relevant licence condition was in the previous Regulatory Year.
- 9.3.5 On receipt of a Basic PCD Report, the Authority will decide whether to direct the licensee to submit to it a Full PCD Report.
- 9.3.6 The Authority will not direct the submission of a Full PCD Report where the Basic PCD Report demonstrates that the output has been Fully Delivered.
- 9.3.7 Where directed to do so by the Authority the licensee must send to the Authority a Full PCD Report.
- 9.3.8 The Authority will use the Basic PCD Report, Full PCD Report, responses to supplementary questions and any other relevant information to decide the delivery status of the outputs for the purposes of Part A in accordance with the definitions of those terms in Special Condition 1.1 (Interpretation and definitions). The Authority may decide to assign more than one delivery status to any output.

Part C: PCD Reporting Requirements and Methodology Document

- 9.3.9 The licensee must comply with the PCD Reporting Requirements and Methodology Document when preparing a report required by Part B.
- 9.3.10 The Authority will issue and amend the PCD Reporting Requirements and Methodology Document by direction.
- 9.3.11 The Authority will publish the PCD Reporting Requirements and Methodology Document on the Authority's Website.
- 9.3.12 The PCD Reporting Requirements and Methodology Document will set out:

- (a) how the licensee must prepare the reports required by Part B; and
 - (b) further guidance about, and worked examples of, the methodology the Authority will use when deciding;
 - (c) whether to direct a value to reduce allowances for Price Control Deliverables that have not been Fully Delivered; and
 - (d) the value to direct.
- 9.3.13 Before issuing the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed PCD Reporting Requirements and Methodology Document;
 - (b) the date on which the Authority intends the PCD Reporting Requirements and Methodology Document to come into effect; and
 - (c) a period during which representations may be made on the content of the PCD Reporting Requirements and Methodology Document, which will ~~not be less than 28 days~~ be up to 28 days unless the Authority determines that a longer period is appropriate.
- 9.3.14 Before amending the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended PCD Reporting Requirements and Methodology Document;
 - (b) the date on which the Authority intends the amended PCD Reporting Requirements and Methodology Document to come into effect;
 - (c) the reasons for the amendments to the PCD Reporting Requirements and Methodology Document; and
 - (d) a period during which representations may be made on the amendments to the PCD Reporting Requirements and Methodology Document, which will ~~not be less than 28 days~~ be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.4 Re-opener Guidance and Application Requirements Document

Introduction

- 9.4.1 This purpose of this condition requires to require the licensee to prepare any applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.
- 9.4.2 This condition also explains the process the Authority will follow in issuing and amending the Re-opener Guidance and Application Requirements Document.

Part A: Requirement to comply with the Re-opener Guidance and Application Requirements Document

- 9.4.3 The licensee must prepare any applications for ~~Re~~**R**re-openers in accordance with ~~any~~the applicable provisions of the Re-opener Guidance and Application Requirements Document.

Part B: Re-opener Guidance and Application Requirements Document

- 9.4.4 The Authority will issue and amend the Re-opener Guidance and Application Requirements Document by direction.

- 9.4.5 The Authority will publish the Re-opener Guidance and Application Requirements Document on the Authority's Website.

- ~~9.4.6~~ 9.4.6 The Re-opener Guidance and Application Requirements Document ~~will~~ Document:

(a) may provide guidance on the process to be followed by the licensee and the Authority in relation to:

- i. establishing a **R**re-opener application pipeline log for prospective applications;
- ii. pre-application engagement between the licensee and the Authority;
- iii. pre-acceptance screening of applications;
- iv. a process for supplementary questions;
- v. a proportionate approach to using assessment tiers with differing levels of scrutiny for individual applications; and
- vi. how the Authority would instigate a **R**re-opener; and

~~(a)~~(b) will set out how the licensee must prepare its applications for ~~Re~~**R**re-openers, including the following:

- i. the ~~Re~~**R**re-openers to which the document applies;
 - ii. the level of detail required in the application;
 - iii. any requirement to publish the application; and
 - iv. when it is appropriate to make redactions in published applications; and
- any requirement for assurance.

- ~~9.4.6~~9.4.7 Before issuing the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the proposed Re-opener Guidance and Application Requirements Document;
- (b) the date on which the Authority intends the Re-opener Guidance and Application Requirements Document to come into effect; and
- (c) a period during which representations may be made on the content of the Re-opener Guidance and Application Requirements Document, which will

~~not be less than~~ up to 28 days unless the Authority determines that a longer period is appropriate.

9.4.7 ~~9.4.8~~ Before amending the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended Re-opener Guidance and Application Requirements Document;
- (b) the date on which the Authority intends the amended Re-opener Guidance and Application Requirements Document to come into effect;
- (c) the reasons for the amendments to the Re-opener Guidance and Application Requirements Document; and
- (d) a period during which representations may be made on the amendments to the Re-opener Guidance and Application Requirements Document, which will ~~not be less than 28 days~~ be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.5 Digitalisation

Introduction

9.5.1 The purpose of this condition is to set out the licensee's obligations to:

- (a) have a Digitalisation Strategy;
- (b) have a Digitalisation Action Plan;
- (c) update its Digitalisation Strategy and its Digitalisation Action Plan;
- (d) comply with the DSAP Guidance; and
- (e) comply with Data Best Practice Guidance.

9.5.2 This condition also sets out the process that the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

Part A: Requirements of the Digitalisation Strategy

9.5.3 The licensee must publish its Digitalisation Strategy on, or before, ~~31 March 2022~~ 31 March 2028.

9.5.4 The licensee must review the progress it has made against its Digitalisation Strategy and update its Digitalisation Strategy at least once every 2 years after 31 March ~~2022~~ 2028.

9.5.5 The licensee must:

- (a) publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;
- (b) maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and

(c) notify the Authority of any updates to the Digitalisation Strategy.

Part B: Requirements of the Digitalisation Action Plan

9.5.6 The licensee must publish its Digitalisation Action Plan on, or before, 30 June ~~2021~~2026.

9.5.7 The licensee must review the progress it has made against and update its Digitalisation Action Plan at least once every 6 months after 30 June ~~2021~~2026.

9.5.8 The licensee must:

(a) publish its Digitalisation Action Plan, and updates to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;

(b) maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and

(c) notify the Authority of any updates to the Digitalisation Action Plan.

Part C: DSAP Guidance.

9.5.9 The licensee must comply with the DSAP Guidance when:

(a) preparing and updating its Digitalisation Strategy; and

(b) preparing and updating its Digitalisation Action Plan.

9.5.10 The Authority will issue and amend the DSAP Guidance by direction.

9.5.11 The Authority will publish the DSAP Guidance on the Authority's Website.

9.5.12 The DSAP Guidance will make provision about:

(a) how the licensee should work towards Digitalisation;

(b) how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan how it intends to use Energy System Data to generate benefits for consumers and stakeholders and the specific actions it will take to achieve that outcome;

(c) the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:

i. the structure, content and level of detail of each;

ii. the types of activities that should be covered in each; **and**

iii. any required information associated with those activities; and

iv. the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

Part D: Requirement to employ data best practice

- 9.5.13 The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.
- 9.5.14 The Authority will issue and amend Data Best Practice Guidance by direction.
- 9.5.15 The Authority will publish Data Best Practice Guidance on the Authority's ~~website~~ Website.
- 9.5.16 Data Best Practice Guidance will make provision about how the Authority expects the licensee to comply with data best practice to generate benefits for consumers and stakeholders, including but not limited to ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

Part E: Process for issuing and amending guidance

- 9.5.17 Before issuing DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed guidance;
 - (b) the date on which the Authority intends the guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the guidance, which will ~~not be less than~~ up to 28 days unless the Authority determines that a longer period is appropriate.
- 9.5.18 Before amending DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended guidance;
 - (b) the date on which the Authority intends the amended guidance to come into effect;
 - (c) the reasons for the amendments to the guidance; and
 - (d) a period during which representations may be made on the amendments to the guidance, which will ~~not be less than 28 days~~ be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.6 Disapplication of Relevant Special Conditions

Introduction

- 9.6.1 The purpose of this condition is to enable the licensee to make a formal request for the disapplication of the Relevant TO Special Conditions or Relevant SO Special ~~Conditions~~ Condition (in whole or in part) and for such provisions to be disapplied following a request in the circumstances specified.

Part A: Procedure for making a Disapplication Request

- 9.6.2 The licensee may submit a Disapplication Request in writing to the Authority.
- 9.6.3 A Disapplication Request must:
- (a) specify ~~to~~ which of the Relevant TO Special Conditions or Relevant SO Special ~~Conditions~~Condition (or any part or parts of them) the request relates;
 - (b) provide a full statement of the licensee's reasons for making the request;
 - (c) contain such other information or analysis as the licensee considers sufficient to enable the Authority to fully assess the Disapplication Request; and
 - (d) state the Disapplication Date that the licensee proposes (which must not be earlier than the appropriate date mentioned in Part B).
- 9.6.4 A Disapplication Request may be submitted only in respect of a specified geographical area.
- 9.6.5 The Authority may, during the period of 28 days beginning with the date of receipt of a Disapplication Request, give notice to the licensee:
- (a) specifying further information or analysis that the Authority reasonably considers is required in order to fully assess the Disapplication Request; and
 - (b) requesting the licensee to provide that information or analysis.
- 9.6.6 The licensee may withdraw a Disapplication Request at any time.

Part B: Date from which a disapplication may take effect

- 9.6.7 The Disapplication Date specified in a Disapplication Request must be after the period of 18 months beginning with the date of the submission of the Disapplication Request, unless the Authority consents in writing to an earlier date.
- 9.6.8 If paragraph 9.6.5 applies, a Disapplication Request will be treated as submitted when that further information or analysis is received by the Authority and, if in consequence the Disapplication Date set out in the Disapplication Request no longer complies with paragraph 9.6.7, the Disapplication Date will be treated as being the earliest date that would comply with that paragraph.

Part C: Licensee's right to terminate under a Disapplication Request

- 9.6.9 If the licensee has submitted to the Authority a Disapplication Request that complies with the requirements of Parts A and B, it may subsequently give the Authority a Disapplication Notice:
- (a) in the ~~circumstance~~circumstances described in Part D; or
 - (b) in the ~~circumstance~~circumstances described in Part E.

- 9.6.10 In either case the Disapplication Notice may not take effect before the Disapplication Date or such earlier date to which the Authority may have consented to under Part B.

Part D: Termination without involvement of the Competition and Markets Authority

- 9.6.11 The ~~circumstance~~circumstances referred to in paragraph 9.6.9(a) ~~is~~are that by the beginning of the period of six months ending with the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under section 23(7) of the Act to modify:
- (a) the Relevant TO Special Conditions or Relevant SO Special Conditions (or any part or parts of them) to which the Disapplication Request applies; or
 - (b) this Condition so as to remove the licensee's right to give the Authority a Disapplication Notice in respect of the relevant Disapplication Request.

Part E: Termination after involvement of the Competition ~~Commission~~and Markets Authority

- 9.6.12 The ~~circumstance~~circumstances referred to in paragraph 9.6.9(b) ~~is~~are that the Authority has published a decision as described in paragraph 9.6.11(a) or 9.6.11(b) and:
- (a) the licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority as provided for by section 23B of the Act; ~~and~~
 - (b) the Competition and Markets Authority, acting under section 23E of the Act, has, in respect of the provision to which the Disapplication Notice relates:
 - i. quashed the Authority's decision; ~~and~~
 - ii. neither remitted the matter back to the Authority under section 23E(2)(b) ~~or s23E(3)(b)~~ of the Act nor substituted its own decision for that of the ~~Authority~~Authority's under section 23E(2)(c) of the Act; and
 - iii. no more than 30 days have elapsed since the date on which the Competition and Markets Authority quashed the decision in the circumstances described in paragraph 9.6.12(b)(i).

Special Condition 9.7 Directly Remunerated Services

Introduction

- 9.7.1 The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services under the special conditions of this licence.
- 9.7.2 The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of Allowed Revenue and SO Allowed Revenue.

- 9.7.3 This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

Part A: Licensee's obligation to exclude Directly Remunerated Services

- 9.7.4 The licensee must exclude revenue derived from Directly Remunerated Services from TO Recovered Revenue and SO Recovered Revenue.
- 9.7.5 Directly Remunerated Services are:
- (a) services that comply with the general principle set out in Part B; or
 - (b) the services listed in Part C to the extent that they comply with the general principle in Part B; or
 - (c) services that the Authority directs are to be treated as Directly Remunerated Services to the extent that such direction ~~will comply~~ complies with the general principle in Part B.
- 9.7.6 Services are not to be treated as Directly Remunerated Services if the Authority so directs to the extent that such direction ~~will comply~~ complies with the general principle in Part B.

Part B: Statement of general principle

- 9.7.7 The general principle is that a service provided by the licensee as part of its Licensed Activity is to be treated as a Directly Remunerated Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 9.7.8.
- 9.7.8 The charges referred to in paragraph 9.7.7 are:
- (a) NTS Transportation Owner Charges, under the provisions of Special Condition 2.1 (Transportation owner revenue restriction); and
 - (b) NTS System Operation Charges, under the provisions of Special Condition 2.3 (System operator revenue restriction); and
 - ~~(c) charges arising from any activity carried out under the provisions of Special Condition 7.7 (RIIO-GT1 network innovation competition) which results in Returned Royalty Income for the licensee.~~

Part C: Categories of Directly Remunerated Services

- 9.7.9 The descriptions of categories of Directly Remunerated Services set out at paragraph 9.7.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs.
- 9.7.10 Directly Remunerated Services include the following services:
- (a) DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain gas pipes or plant, meters or

other equipment necessary to provide any new connection or modify any existing connection to the Transportation System to which this licence relates, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8).

- (b) DRS2. Diversionary works under an obligation: This category consists of the relocating of any gas pipes or plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9 (Powers and duties of gas transporters) of the Act (for avoidance of doubt Pipeline Diversion Costs are not a Directly Remunerated Service).
- (c) DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line or electrical plant that forms part of the licensee's Transportation System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.
- (d) DRS4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any electric line or electrical plant that forms part of the licensee's Transportation System to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.
- (e) DRS5. Outage changes: (Not applicable to Gas Transmission).
- (f) DRS6. Emergency services: This category consists of the provision of emergency services under contracts entered into pursuant to the provisions of Standard Special Condition A41 (Emergency Services to or on Behalf of Another Gas Transporter) of this licence.
- (g) DRS7. PARCA activities: This category consists of the works relating to the initial investigations and assessment of technical options for the provision of Entry Capacity or Exit Capacity carried out by the licensee prior to entering into a PARCA, which may lead to the provision of a Phase 1 PARCA Works Report to the PARCA Applicant, or in the case of the provision of Entry Capacity or Exit Capacity at a point described in the Appendices to Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) as an interconnector, which may lead to the provision of a joint notice published under "European Interconnection Document Section E" of the Uniform Network Code.
- (h) DRS8. Independent System Operation: (Not applicable).
- (i) ~~DRS9. Network Innovation Funding~~Value added services: (Not applicable).
- ~~DRS10. Value added services: (Not applicable).~~
- (j) ~~DRS11.~~ Top-up, standby, and enhanced system security: (Not applicable).
- (k) ~~DRS11. DRS12.~~ Revenue protection services: (Not applicable).
- (l) ~~DRS12. DRS13.~~ Metering services: (Not applicable).
- (m) ~~DRS13. DRS14.~~ Smart meter roll-out rechargeable services: (Not applicable).

- (n) ~~DRS15.DRS14~~. Miscellaneous: This category consists of the provision of any other service (including the provision of gas pipes or plant) that:
- (o) is for the specific benefit of any third party who requests it; and
 - (p) is not made available by the licensee as a normal part of its NTS Transportation Owner Activity or NTS System Operation Activity.

Part D: Procedure for issuing directions

- 9.7.11 Before issuing a direction under Part A the Authority will ~~consider~~have regard to the general principle in Part B.
- 9.7.12 Any direction that the Authority issues under Part A will set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.
- 9.7.13 Before issuing a direction under Part A, the Authority will publish on the Authority's Website:
- (a) The text of the proposed direction;
 - (b) the reasons why it proposes to issue the direction; and
 - (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.8 Tax Reconciliation assurance statement

Introduction

- 9.8.1 This condition requires the licensee to ~~send~~submit to the Authority an annual Tax Reconciliation assurance statement ~~in relation to the Tax Reconciliation template~~ and sets out the form of that statement.

Part A: Part A: Assurance Statement

- 9.8.2 The licensee must by 30 September ~~in~~of each Regulatory Year ~~starting on or after 1 April 2023, send~~submit to the Authority ~~an~~a Tax Reconciliation assurance statement, relating to Regulatory Year t-2 that:
- (a) has been approved by resolution of the licensee's board of directors;
 - (b) is signed by a director of the licensee pursuant to ~~that~~the resolution in sub-paragraph (a); and
 - (c) is set out in the form prescribed in paragraph 9.8.3 or, where paragraph 9.8.4 applies, in the form prescribed in paragraph 9.8.5.
- 9.8.3 The prescribed form for the Tax Reconciliation assurance statement is as follows:
- "In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the

directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2], ~~In their opinion:~~:

- (a) ~~In their opinion,~~ the values reported in the Tax Reconciliation ~~template~~ have not resulted in a material, unexplained variance in the reconciliation of the licensee's Actual Corporation Tax Liability (as shown in the licensee's Company Tax Return (CT600)) to the calculated Tax Allowance;
- (b) the Tax Reconciliation will be submitted to the Authority by 30 September [Regulatory Year t] along with a copy of the following documents:
 - i. the licensee's most recent CT600 as submitted to His Majesty's Revenue and Customs; ~~for the Regulatory Year [Regulatory Year t-2];~~
 - ii. the licensee's most recently submitted Senior Accounting Officer (SAO2) ~~certificate as per (b)i;~~ and Certificate (SAO2), which covers the Regulatory Year [Regulatory Year t-2];
 - iii. the licensee's published Tax Strategy; ~~which covers the same accounting period as covers~~ the Regulatory Year [Regulatory Year t-2]; and
 - iv. ~~any notifications of uncertain tax treatments relating to the corporation tax affairs of the licensee arising under Schedule 17 to the Finance Act 2022 which cover the Regulatory Year [Regulatory Year t-2].~~
- (c) where appropriate, further information has ~~also~~ been provided to support and explain reconciling items in accordance with the RII0-23 Regulatory Financial Performance Reporting RIGS;
- (d) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
- (e) reconciling differences have been appropriately explained and any remaining, unexplained differences are considered immaterial, in aggregate."

9.8.4 Where the licensee anticipates a material, unexplained variance to arise in the Tax Reconciliation as described in Chapter 6 of the ~~GT2GT3~~ Price Control Financial Handbook, the prescribed form for the Tax Reconciliation assurance statement is set out in paragraph 9.8.5.

9.8.5 Where this paragraph applies, the prescribed form ~~for~~ of the Tax Reconciliation assurance statement is as follows:

"In accordance with the requirements of paragraph 9.8.52 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2], ~~in their opinion:~~:

- (a) ~~In their opinion,~~ the values reported in the Tax Reconciliation ~~template~~ have resulted in a material, unexplained variance in the reconciliation of the licensee's ~~adjusted~~ Actual Corporation Tax Liability as shown in the licensee's Company Tax Return (CT600) to the ~~adjusted~~ Calculated Tax Allowance;

- (b) the Tax Reconciliation ~~has been~~ will be submitted to the Authority by 30 September [Regulatory Year t] along with a copy of the following documents:
- i. the licensee's most recent CT600 as submitted to His Majesty's Revenue and Customs; for the Regulatory Year [Regulatory Year t-2];
 - ii. the licensee's most recently submitted Senior Accounting Officer (SAO2) certificate as per (b)i; and Certificate (SAO2), which covers the Regulatory Year [Regulatory Year t-2];
 - iii. the licensee's published Tax Strategy; which covers the Regulatory Year [Regulatory Year t-2]; and
 - iv. Any notifications of uncertain tax treatments relating to the corporation tax affairs of the licensee arising under Schedule 17 to the Finance Act 2022 which cover the the Regulatory Year [Regulatory Year t-2].
- (c) where appropriate, further information has ~~also been~~ provided to support and explain reconciling items in accordance with the RII0-23 Regulatory Financial Performance Reporting RIGs;
- (d) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary, however there remain unexplained differences, which are considered material; and; ~~and~~
- (e) a notification has been given in writing to the Authority under Chapter 6 of the ~~GT2GT3~~ Price Control Financial Handbook; "."

Special Condition 9.9 Allocation of revenues and costs for calculations under the price control in respect of the NTS Transportation Owner Activity and NTS System Operation Activity

Introduction

- 9.9.1 This condition sets out how the licensee must allocate revenues and costs for the purposes of calculating its Allowed Revenue and SO Allowed Revenue in accordance with the Special Conditions in Chapter 2 (Revenue restriction).
- 9.9.2 This condition also requires the licensee to:
- (a) have in place a methods statement that sets out the methods that the licensee will use in the allocation and attribution of revenues and costs; and
 - (b) prepare and send to the Authority a methods report, which describes the manner in which, and the extent to which, the licensee has complied with the provisions of the methods statement.

Part A: General principles of allocation and attribution

- 9.9.3 Unless the Authority otherwise directs, any allocation or attribution of revenues, costs, assets, and liabilities performed by the licensee in order to calculate any of the values referred to in the Special Conditions contained

within Chapter 2 must conform to the principles set out in paragraphs 9.9.4, 9.9.5, and 9.9.6.

- 9.9.4 Principle 1 is that the licensee must, so far as is reasonably practicable, allocate or attribute revenues, costs, assets, and liabilities in accordance with the activities which cause the revenues to be earned, the costs to be incurred, the assets to be acquired, or the liabilities to be incurred.
- 9.9.5 Principle 2 is that the licensee must perform its allocations and attributions on an objective basis and in a manner calculated not to ~~to~~ unduly benefit itself or any other licensee or entity, affiliated or otherwise.
- 9.9.6 Principle 3 is that, so far as reasonably practicable, the licensee must perform all allocations and attributions on a consistent basis from one Regulatory Year to the next.

Part B: Allocation and attribution as between principal activities

- 9.9.7 To the extent relevant to its activities, the licensee must in so far as is reasonably practicable allocate or attribute all revenues earned and costs incurred by the Transportation Business to the following activities:
 - (a) the NTS Transportation Owner Activity;
 - (b) the NTS System Operation Activity; and
 - (c) any Directly Remunerated Services.

Part C: Statement of the methods to be used by the licensee

- 9.9.8 Unless the Authority otherwise directs, the licensee must, by no later than 31 July in each Regulatory Year, prepare and send to the Authority a statement in a form approved by the Authority that sets out the methods that the licensee intends to use in the allocation and attribution of revenues and costs.
- 9.9.9 The methods statement must, as a minimum, clearly distinguish between the allocation or attribution of revenues, costs, assets, and liabilities to each of the activities specified in Part B.
- 9.9.10 Where the basis of such allocations or attributions has changed from one Regulatory Year to the next, the methods statement must also indicate and explain how and why that basis has been changed.
- 9.9.11 The licensee must use reasonable endeavours to comply with the methods statement for the time being in force under this condition.

Part D: Direction to re-allocate and re-attribute

- 9.9.12 The licensee must re-allocate revenues earned by the licensee or re-attribute costs incurred by the licensee to the activities specified in Part B in accordance with any direction made by the Authority following receipt of the

methods statement, so that the licensee's allocations and attributions comply with the principles set out in Part A.

Part E: Preparation and submission of the methods report

- 9.9.13 Unless the Authority otherwise consents, the licensee must, before the end of the period of 4 months beginning with the end of each Regulatory Year, prepare and send to the Authority a methods report that:
- (a) describes the manner in which, and the extent to which, the licensee complied with the provisions of the methods statement and any direction made by the Authority under Part D in respect of that year; and
 - (b) states whether any modification should be made to the methods statement to reflect more closely the practice of the licensee.
- 9.9.14 The methods report must be accompanied by a report from an Appropriate Auditor that:
- (a) sets out the procedures (which must have been approved by the Authority) that the Appropriate Auditor has carried out for the purposes of demonstrating the extent to which the licensee has properly prepared the methods report in accordance with the methods statement and any direction made under Part D; and
 - (b) gives an opinion as to the extent to which the licensee has properly prepared the methods report.
- 9.9.15 To the extent that the licensee earns revenues or incurs costs in the undertaking of De Minimis Business under Standard Special Condition A36 (Restriction on Activity and Financial Ring-Fencing), the licensee must report on those revenues and costs ~~in accordance with this condition.~~

Special Condition 9.10 Licensee's network planning

Introduction

- 9.10.1 The purpose of this condition is to set out the licensee's obligations in relation to its network development planning.
- 9.10.2 This condition includes obligations on the licensee to produce a Long Term Development Statement and a Strategic Planning Options Proposal.

Part A: Long Term Development Statement

- 9.10.3 The licensee must prepare a Long Term Development Statement in each Regulatory Year.
- 9.10.4 The Long Term Development Statement must include, so far as is reasonably practicable, forecasts of:
- (a) the likely use of the pipeline system to which this licence relates and any other pipeline system specified by the Authority by direction;

- (b) the likely development of the system, facilities and other pipeline systems which the licensee expects from time to time to be taken into account in determining the charges for making connections to the pipeline system to which this licence relates and in pursuance of Transportation Arrangements;
- (c) where such information is capable of being applied for the purpose of identifying and evaluating opportunities to:
 - i. connect a pipeline to the pipeline system to which this licence relates, or to another Gas Transporter Licensee's pipeline system;
- (d) enter into transportation arrangements with the licensee; or
- (e) connect to the pipeline system to which this licence relates, or another Gas Transporter Licensee's pipeline system, premises which would reasonably be expected to be supplied with gas at a rate exceeding 2,196,000 kilowatt hours a year.

9.10.5 The licensee must also include in its Long Term Development Statement where possible:

- (a) details of the options and changes to assets that have been progressed through the Gas Options Advice Document , in accordance with condition C8 (Gas strategic network planning) of the ISOP's Gas System Planner Licence, and been approved by the Authority under the price control; and
- (b) any further information in response to the information provided by the ISOP in the Gas Network Capability Needs Report and/or the Gas Options Advice Document that is appropriate to include
- (c) any engagement with interested parties in the development of the Long Term Development Statement; and
- (d) any views or information provided by interested parties and an explanation of how these were taken into account in the development of the Long Term Development Statement.

9.10.6 The licensee must, subject to any requirement to comply with the listing rules (within the meaning of the Financial Services and Markets Act 2000) and with paragraph 9.10.8 ~~below~~:

- (a) send to the Authority a copy of the Long Term Development Statement by ~~31st~~³¹ December in each Regulatory Year;
- (b) publish, in such form and manner as the Authority may direct, a summary of each Long Term Development Statement; and
- (c) send a copy of the version prepared in accordance with paragraph 9.10.6(b) to any person who asks for one and makes such payment to the licensee in respect of the cost thereof as it may require, not exceeding such amount as the Authority may from time to time approve.

9.10.7 In complying with the requirements of paragraph 9.10.6(b) and (c), the licensee must exclude, in so far as is reasonably practicable, any matter which relates to the affairs of a person where the publication of that matter would, or might, seriously and prejudicially affect their interests.

- 9.10.8 Any question arising under paragraph 9.10.7 as to whether the publication of some matter which relates to the affairs of a person would, or would have the potential to, seriously and prejudicially affect their interests is to be determined by the Authority.

Part B: Strategic Planning Options Proposal

- 9.10.9 The licensee must prepare a Strategic Planning Options Proposal that sets out the licensee's response to the most recent Gas Network Capability Needs Report produced by the ISOP.
- 9.10.10 The licensee must, unless the Authority otherwise directs, provide its Strategic Planning Options Proposal to the ISOP and the Authority by 30 June ~~2025~~2027, and by 30 June in every 2 subsequent Regulatory Years.
- 9.10.11 The licensee must, in its Strategic Planning Options Proposal:
- (a) have regard to the information produced by the ISOP pursuant to paragraph C8.7 of condition C8 (Gas strategic network planning) in the ISOP's Gas System Planner Licence; and
 - (b) set out any material differences between the licensee's views and the information produced by the ISOP pursuant to paragraph C8.7 of condition C8 in the ISOP's Gas System Planner Licence, providing an explanation of the difference(s) and the licensee's view on any associated implications.
- 9.10.12 The licensee's Strategic Planning Options Proposal prepared in accordance with paragraph 9.10.10 must include:
- (a) the licensee's best view of any options in response to the system needs that are set out in the Gas Network Capability Needs Report~~7~~, and that may involve construction, expansion, reinforcement, repurposing, replacement or decommissioning;
 - (b) an explanation of how the licensee has had regard and responded to the contents of the most recent Gas Network Capability Needs Report (in accordance with paragraphs 9.10.10) including the information produced by the ISOP pursuant to paragraph C8.7 of condition C8 in the ISOP's Gas System Planner Licence;
 - (c) the licensee's best possible estimate of the cost, cost breakdown and deliverability of options under paragraph 9.10.13~~12~~(a);
 - (d) relevant technical criteria and physical specifications relating to each of the options under 9.10.13~~12~~(a), including the licensee's view of the impact on network capability; ~~and~~
 - (e) any other data or information that the licensee considers is appropriate to include to support the ISOP to perform its functions related to the matters in section 161(3)(d) of the Energy Act 2023; and
 - (f) a summary of how the licensee has engaged with the ISOP on the information produced in the Strategic Planning Options Proposal and any views or representations arising from this engagement.

9.10.13 The licensee must identify to the ISOP any information provided in the Strategic Planning Options Proposal that may seriously and prejudicially affect the commercial interests of the owner of that information (or any third parties that provided that information to the owner of that information).]

Part C: Collaboration and consultation with stakeholders, including the ISOP

9.10.14 In fulfilling its obligations related to long-term network planning, including but not limited to this condition, the licensee must:

- (a) Provide such information to the ISOP as it reasonably requires and the Licensee can reasonably provide in order to aid the ISOP's understanding of the work related to long-term network planning; and
- (b) Collaborate with such stakeholders (including but not limited to the ISOP), as the licensee considers necessary to meet 9.10.14(a);
- (c) Proactively and from time to time request feedback from its stakeholders (including but not limited to the ISOP) on how it could improve its engagement.

9.10.15 If requested by the Authority, the licensee must provide the Authority with a summary of stakeholder feedback over the previous Regulatory Year and, where the licensee has considered it appropriate, how and where it has reflected this feedback in its processes and/or publications.

Part C:Part D: Derogations

9.10.149.10.16 The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under Part B of this condition to such an extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Special Condition 9.11 Transmission Planning Code

Introduction

9.11.1 The purpose of this condition is to set out the licensee's obligations in relation to the Transmission Planning Code.

Part A: Transmission Planning Code obligation

9.11.2 The licensee must have in place, implement and comply with the provisions of a Transmission Planning Code approved by the Authority.

Part B: Transmission Planning Code requirements

9.11.3 The Transmission Planning Code must satisfy the requirements in this Part.

9.11.4 The first requirement is that the Transmission Planning Code must cover all material technical aspects relating to the planning and development of the pipeline system to which this licence relates that may have a material impact

on persons connected to or using (or intending to connect to or use) that pipeline system.

- 9.11.5 The second requirement is that the Transmission Planning Code must include a methodology for determining the physical capability of the pipeline system to which this licence relates that specifies in detail how the licensee takes into account:
- (a) its Entry Capacity release obligations pursuant to Special Condition ~~3.13~~11 (Funded incremental obligated capacity Re-opener and Price Control Deliverable) and its Exit Capacity release obligations pursuant to Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution);
 - (b) the amount of capacity that may technically be transferred or traded between NTS Entry Points;
 - (c) the impact of incremental gas flows on the capability of the pipeline system to which this licence relates at each NTS Entry Point and each NTS Exit Point; and
 - (d) the Statutory Network Security Standard.
- 9.11.6 The third requirement is that the Transmission Planning Code must include the detailed planning assumptions that the licensee uses in respect of:
- (a) the likely developments it expects in the patterns of the supply of gas to, and the demand for gas from, the pipeline system to which the licence relates;
 - (b) the likely developments it expects in the levels of the supply of gas through and the demand for gas from that pipeline system; and
 - (c) the likely operation of the pipeline system to which the licence relates for any given pattern or level of supply of gas or demand for gas.

Part C: Review and revision of the Transmission Planning Code

- 9.11.7 The licensee must ~~review the Transmission Planning Code to ensure it continues to meet the requirements in Part B~~ if requested by the Authority, and in any event not less than once in every ~~period of two~~ Regulatory Years; ~~review the Transmission Planning Code to ensure it continues to meet the requirements in Part B.~~
- 9.11.8 The licensee must when carrying out the review required by paragraph 9.11.7 consult with the ISOP, and any interested parties likely to be materially affected by the review.
- 9.11.9 Before revising the Transmission Planning Code, and during the period of 28 days beginning with the date on which a review is completed, the licensee must send to the Authority:
- (a) a report on the outcome of the review;
 - (b) a statement of any proposed revisions to the Transmission Planning Code that the licensee having regard to the outcome of the review reasonably

considers would lead to the Transmission Planning Code better fulfilling the requirements set out in Part B above; and

- (c) any written representations, including any proposals for revising the Transmission Planning Code that have not been accepted by the licensee, that were received from interested parties during the consultation process and have not been withdrawn.

9.11.10 The Authority will:

- (a) approve the revisions proposed by the licensee;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

Part D: Derogations

9.11.11 The licensee may apply to the Authority for derogation relieving the licensee of its obligations to implement or comply with the provisions of the Transmission Planning Code in respect of such parts of the pipeline system to which this licence relates as may be specified by the Authority by direction.

Special Condition 9.12 Licensee's Network Model

Introduction

9.12.1 The purpose of this condition is to set out the licensee's obligations in relation to the licensee's Network Model.

Part A: Network Model obligations

9.12.2 The licensee must have in place a Network Model approved by the Authority.

9.12.3 The licensee must, if requested by the Authority, use reasonable endeavours to provide reasonable access, including remote access so far as necessary and reasonably practicable, to the Network Model that enables the Authority to operate the Network Model.

Part B: Network Model requirements

9.12.4 The Network Model must satisfy the requirements in this Part.

9.12.5 The first requirement is that the Network Model must facilitate the licensee's compliance with its duty under section 9(1)(a) of the Act.

9.12.6 The second requirement is that the Network Model must be consistent with the Transmission Planning Code.

9.12.7 The third requirement is that the Network Model must be designed so as to demonstrate its consistency with the first and second requirements.

Part C: Review and revision of the Network Model

- 9.12.8 The licensee must, if requested by the Authority, ~~and in any event not less than once in every period of two Regulatory Years,~~ review the Network Model to ensure that it continues to meet the requirements in Part B.
- 9.12.9 Before revising the Network Model and during the period of 28 days beginning with the date of completion of any review, the licensee must send to the Authority a report that sets out:
- (a) the outcome of the review including supporting reasoning and analysis;
 - (b) how any proposed revisions to the Network Model would better achieve the requirements in Part B; and
 - (c) the date on which the licensee plans to implement any proposed revisions to the Network Model.
- 9.12.10 The Authority will:
- (a) approve the revisions proposed by the licensee;
 - (b) approve the revisions proposed by the licensee and require the appointment of an independent expert to review the implementation of the revisions;
 - (c) reject the proposed revisions; or
 - (d) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
- 9.12.11 Where the Authority requires a review by an independent expert under paragraph 9.12.10(b), the licensee must, within the period of two months beginning with the date on which implementation of the revisions is completed, provide a copy of the independent expert's report to the Authority, confirming that the revisions have been implemented and that the Network Model is in use in its modified form.

Part D: Provision and modification of Relevant Network Model Data

- 9.12.12 The licensee must include in the Network Model the Relevant Network Model Data.
- 9.12.13 The licensee must:
- (a) have in place ~~a statement of procedures~~ network model planning guidelines for modifying or updating the Relevant Network Model Data that ~~is~~ are approved by the Authority;
 - (b) keep under review the procedures set out in ~~that statement~~ those guidelines; and
 - (c) propose any revisions to ~~those~~ the procedures set out in the network model planning guidelines that it considers should be made in the light of such review.

9.12.14 Before revising the ~~procedures~~guidelines required by paragraph 9.12.13(a), the licensee must send to the Authority a report setting out:

- (a) the proposed revisions; and
- (b) the reasons for those proposed revisions.

9.12.15 The Authority will:

- (a) approve the revisions proposed by the licensee;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

Part E: Provision of Network Model and associated systems to the ISOP and the Authority

9.12.16 The licensee must, if requested by the Authority, and in any event by or on 30 September of each Regulatory Year, provide to the ISOP:

- (a) the Network Model;
- (b) Relevant Network Model Data;
- (c) the tools and systems associated with the operation of the Network Model; ~~and~~
- (d) changes and updates required to support the configuration of the Network Model and the tools and systems under paragraph 9.12.16(c-); ~~and~~
- (e) an overall summary of the changes made to the Network Model and the Relevant Network Model Data.

9.12.17 The licensee must provide any other information or support related to the operation of the Network Model that the ISOP may reasonably request.

9.12.18 The licensee must use reasonable endeavours to ensure that the Network Model and Relevant Network Model Data provided in accordance with paragraph 9.12.16 are replications of the Network Model and Relevant Network Model Data in use by the licensee.

9.12.19 Where the licensee's Network Model and/or the Relevant Network Model Data have significantly changed from the versions provided under 9.12.16, the licensee must, as soon as is reasonably practicable:

- (a) inform the ISOP of the changes; and
- (b) provide the necessary updates and information to the ISOP and the updated Network Model and Relevant Network Model Data as required under 9.12.16.

9.12.20 The licensee must send to the Authority by or on 30 September of each Regulatory Year a copy of its submission to the ISOP provided in accordance with paragraph 9.12.16.

Part F: Derogations

~~9.12.20~~9.12.21 The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such an extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Special Condition 9.13 Capacity Requests, Baseline Capacity and Capacity Substitution

Introduction

9.13.1 The purpose of this condition is to set out the licensee's obligation to:

- (a) publish a notice of any requests for Firm Entry Capacity or Firm Exit Capacity;
- (b) submit an associated notification to the Authority;
- (c) maintain a table of instances of Entry Capacity Substitution and a table of instances of Exit Capacity Substitution;
- (d) maintain a table of NTS Entry Points and NTS Exit Points along with associated information; and
- (e) maintain a table of Zero Licence Baseline Entry Capacity Points and a table of Zero Licence Baseline Exit Capacity Points.

9.13.2 This condition also:

- (a) sets out a process for approval of Entry Capacity Substitution or Exit Capacity Substitution;
- (b) sets out requirements in relation to the treatment of Zero Licence Baseline Entry Capacity Points and Zero Licence Baseline Exit Capacity Points; and
- (c) sets out Licence Baseline Entry Capacity and Licence Baseline Exit Capacity.

9.13.3 The effect of this condition is:

- (a) to establish the requirements for requests for Firm Entry Capacity and Firm Exit Capacity;¹⁶ and
- (b) to state the Licence Baseline Entry Capacity and Licence Baseline Exit Capacity levels and adjustments.

Part A: Publishing notice of request

9.13.4 Where the licensee receives a request for Firm Entry Capacity or Firm Exit Capacity, via a PARCA, some or all of which constitutes Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity, the licensee must publish a notice on its website setting out where it intends to reserve that capacity, subject to the provisions of the appropriate statements maintained by the licensee under Special Condition 9.1716 (Entry Capacity and Exit Capacity obligations and methodology statements) and 9.1817 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes).

9.13.5 The notice must set out:

- (a) each NTS Entry Point listed in Appendix 1 or NTS Exit Point listed in Appendix 2 at which the Firm Entry Capacity or Firm Exit Capacity respectively has been requested and the quantity of capacity requested there;
- (b) a description of any other location, where there is no NTS Entry Point or NTS Exit Point listed in the licence, where the Firm Entry Capacity or Firm Exit Capacity has been requested and the quantity of capacity requested there; and
- (c) whether any part of the Firm Entry Capacity or Firm Exit Capacity requested cannot be satisfied using Entry Capacity Substitution or Exit Capacity Substitution, and will be the subject of an application by the licensee for a direction under Special Condition ~~3.13~~11 (Funded incremental obligated capacity Re-opener and Price Control Deliverable).

Part B: Notification to the Authority and approval of Entry Capacity Substitution or Exit Capacity Substitution

9.13.6 Where the licensee has published a notice in accordance with Part A, the licensee must:

- (a) notify the Authority; and
- (b) where relevant, outline with the notification to the Authority any proposal to carry out Entry Capacity Substitution or Exit Capacity Substitution.

9.13.7 The Authority will within 28 days:

- (a) approve the proposal to carry out Entry Capacity Substitution or Exit Capacity Substitution;
- (b) reject the proposal; or
- (c) request more information from the licensee and approve or reject the proposal within 28 days of receipt of information that the Authority considers satisfies its request.

9.13.8 Where the Authority takes no action under paragraph 9.13.7 the licensee may treat the proposals as approved.

9.13.9 The licensee's notification must include statements:

- (a) confirming that the licensee has applied the methodologies in the relevant statements maintained by the licensee under Special Conditions ~~9.17~~16 (Entry Capacity and Exit Capacity obligations and methodology statements) and ~~9.18~~17 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes), and, in relation to those methodologies, setting out:
 - i. the input data that the licensee used in applying the methodologies; and
 - ii. the results of applying the methodologies;

- (b) setting out any NTS Entry Point or NTS Exit Point at which the licensee proposes to provide Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity through Entry Capacity Substitution or Exit Capacity Substitution, as well as the volume of this capacity the licensee proposes to provide there, the relevant NTS Entry Points or NTS Exit Points where this capacity is being substituted from, and the volumes of this capacity being substituted away from each relevant NTS Entry Point or NTS Exit Point;
- (c) setting out any NTS Entry Point or NTS Exit Point at which the licensee proposes to provide Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that is to be the subject of an application by the licensee for a direction under Special Condition 3.13.11 (Funded incremental obligated capacity Re-opener and Price Control Deliverable) and the volume of this capacity the licensee proposes to provide there;
- (d) setting out why the Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity referred to in paragraph 9.13.9(c) falls within the scope of ~~paragraph 3.13.7 of~~ Special Condition 3.13.11 (Funded incremental obligated capacity Re-opener and Price Control Deliverable);
- (e) setting out the first month in which Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity would be provided under paragraph 9.13.9(b) or (c) at the relevant NTS Entry Point or NTS Exit Point or in which Non-Incremental Obligated Entry Capacity or Non-Incremental Exit Capacity would cease to be provided at the relevant NTS Entry Point or NTS Exit Point; and
- (f) setting out the date when the licensee's obligation to offer for sale any Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity under paragraph 9.13.9(b) and (c) would commence, and the date on which the licensee's obligation to offer for sale any volume of Non-Incremental Obligated Entry Capacity or Non-Incremental Obligated Exit Capacity being substituted away from the relevant NTS Entry Points or NTS Exit Points would cease.

Part C: Record of Entry Capacity Substitution and Exit Capacity Substitution

9.13.10 The licensee must maintain and publish on its website:

- (a) a table of instances of Entry Capacity Substitution; and
- (b) a table of instances of Exit Capacity Substitution.

Part D: NTS Entry Points and NTS Exit Points

9.13.11 The licensee must maintain and publish on its website a table of the NTS Entry Points and NTS Exit Points listed in Appendix 1 and Appendix 2 respectively, which includes quantities, for each point, of:

- (a) Licence Baseline Entry Capacity and Licence Baseline Exit Capacity;
- (b) Incremental Obligated Entry Capacity and Incremental Obligated Exit Capacity;

- (c) Non-Incremental Obligated Entry Capacity and Non-Incremental Obligated Exit Capacity;
- (d) total monthly capacity release obligation;
- (e) reserved capacity;
- (f) sold capacity; and
- (g) unsold capacity.

Part E: Zero Licence Baseline entry and exit capacity points

9.13.12 The licensee must maintain and publish on its website:

- (a) a table of Zero Licence Baseline Entry Capacity Points; and
- (b) a table of Zero Licence Baseline Exit Capacity Points.

9.13.13 The licensee must promptly inform the Authority of the creation of any new Zero Licence Baseline Entry Capacity Points or Zero Licence Baseline Exit Capacity Points.

9.13.14 Unless otherwise directed by the Authority, after recording the existence of a new Zero Licence Baseline Entry Capacity Point or Zero Licence Baseline Exit Capacity Point, the licensee must:

- (a) conduct a consultation with network users on whether the new Zero Licence Baseline Entry Capacity Point or Zero Licence Baseline Exit Capacity Point should be treated as a Relevant Point on the licensee's pipeline system; and
- (b) during the period of 14 days beginning with the date of the close of its consultation, submit to the Authority:
 - i. a report on the outcome of the consultation; and
 - ii. any written representations that were received from interested parties during the consultation process and were not withdrawn.

9.13.15 Following submission of the report the licensee must seek the Authority's approval for either:

- (a) treating the new Zero Licence Baseline Entry Capacity Point or the new Zero Licence Baseline Exit Capacity Point as a Relevant Point on the licensee's pipeline system, or
- (b) not treating it as a Relevant Point on the licensee's pipeline system.

Licence Baseline Entry Capacity

NTS Entry Point	Type of entry	Baseline capacity (in GWh/d, as of 1 April 2021 <u>2026</u>)
Bacton (IP)	INTERCONNECTOR	1,297.80
Bacton (UKCS)	BEACH TERMINAL	485.60
Barrow	BEACH TERMINAL	340.01

Easington (including Rough)	BEACH TERMINAL	1,407.15062.00
St. Fergus	BEACH TERMINAL	1,500.00
Teesside	BEACH TERMINAL	599.41-445.09
Theddlethorpe	BEACH TERMINAL	0.00
<u>Rough Storage</u>	<u>STORAGE SITE</u>	<u>345.15</u>
Glenmavis	STORAGE SITE	99.00
Partington	STORAGE SITE	201.43
Avonmouth	STORAGE SITE	179.30
Isle of Grain	LNG IMPORTATION TERMINAL	699.68
Dynevor Arms	STORAGE SITE	49.00
Hornsea	STORAGE SITE	233.10
Hatfield Moor (Storage)	STORAGE SITE	25.00
Hatfield Moor (Onshore)	ONSHORE FIELD	0.30
Cheshire	STORAGE SITE	556.27
Hole House Farm	STORAGE SITE	296.60
Wytch Farm	ONSHORE FIELD	3.30
Burton Point	ONSHORE FIELD	73.50
Milford Haven	LNG IMPORTATION TERMINAL	950.00
Barton Stacey	STORAGE SITE	172.60
Garton	STORAGE SITE	420.00
Burton Agnes (Caythorpe)	STORAGE SITE	90.00
Winkfield	STORAGE SITE	0.00
Blyborough (Welton)	STORAGE SITE	0.00
Tatsfield	STORAGE SITE	0.00
Albury	STORAGE SITE	0.00
Palmers Wood	STORAGE SITE	0.00
Fleetwood	STORAGE SITE	350.00
Portland	STORAGE SITE	0.00
Canonbie	ONSHORE FIELD	0.00
Moffat	INTERCONNECTOR	0.00
Murrow	BIOMETHANE PLANT	0.00
<u>Glenthams Biomethane</u>	<u>BIOMETHANE PLANT</u>	<u>0.00</u>

Licence Baseline Exit Capacity

NTS Exit Point	Type of offtake	Baseline capacity (in GWh/d, as of 1 April 2021 <u>2026</u>)
Bacton	GDN (EA)	3.66
Brisley	GDN (EA)	3.11
Cambridge	GDN (EA)	0.00
Great Wilbrahim	GDN (EA)	35.59
Matching Green	GDN (EA)	92.34
Peterborough Eye (Tee)	GDN (EA)	23.35
Roudham Heath	GDN (EA)	25.47
Royston	GDN (EA)	2.70 <u>3.02</u>
Whitwell	GDN (EA)	161.87
West Winch	GDN (EA)	10.09 <u>12.15</u>
Yelverton	GDN (EA)	72.94
Alrewas (EM)	GDN (EM)	139.91 <u>101</u>
Blaby	GDN (EM)	13.40 <u>9087</u>
Blyborough	GDN (EM)	79.33
Caldecott	GDN (EM)	11.08
Thornton Curtis (DN)	GDN (EM)	118.19
Drointon	GDN (EM)	74.27 <u>75.00</u>
Gosberton	GDN (EM)	15.23
Kirkstead	GDN (EM)	1.21
Market Harborough	GDN (EM)	9.48
Silk Willoughby	GDN (EM)	2.46 <u>3.03</u>
Sutton Bridge	GDN (EM)	1.08 <u>28</u>
Tur Langton	GDN (EM)	65.67 <u>69.99</u>
Walesby	GDN (EM)	0.97
Asselby	GDN (NE)	4.59
Baldersby	GDN (NE)	1.34
Burley Bank	GDN (NE)	20.31
Ganstead	GDN (NE)	23.15
Pannal	GDN (NE)	148.41
Paull	GDN (NE)	46.86
Pickering	GDN (NE)	9.38
Rawcliffe	GDN (NE)	6.90
Towton	GDN (NE)	80.73
Bishop Auckland	GDN (NO)	62.13
Coldstream	GDN (NO)	2.85
Corbridge	GDN (NO)	0.17

Cowpen Bewley	GDN (NO)	51.90 <u>51.9087</u>
Elton	GDN (NO)	60.21
Guyzance	GDN (NO)	2.19
Humbleton	GDN (NO)	0.25
Keld	GDN (NO)	1.89
Little Burdon	GDN (NO)	20.92
Melkinthorpe	GDN (NO)	2.43
Saltwick Pressure Controlled	GDN (NO)	9.22
Saltwick Volumetric Controlled	GDN (NO)	69.07
Thrintoft	GDN (NO)	6.92
Towlaw	GDN (NO)	0.57
Wetheral	GDN (NO)	29.11
Horndon	GDN (NT)	46.41
Luxborough Lane	GDN (NT)	165.30
Peters Green	GDN (NT)	151.86
Peters Green South Mimms	GDN (NT)	197.18
Winkfield (NT)	GDN (NT)	15.94 <u>15.9401</u>
Audley (NW)	GDN (NW)	12.14
Blackrod	GDN (NW)	166.55
Ecclestone	GDN (NW)	21.14
Holmes Chapel	GDN (NW)	22.20 <u>22.2048</u>
Lupton	GDN (NW)	16.23 <u>16.2321.43</u>
Malpas	GDN (NW)	0.99
Mickle Trafford	GDN (NW)	29.21
Partington	GDN (NW)	87.63
Samlesbury	GDN (NW)	110.99
Warburton	GDN (NW)	110.65
Weston Point	GDN (NW)	30.60
Aberdeen	GDN (SC)	23.54
Armadaledale	GDN (SC)	16.01
Balgray	GDN (SC)	15.72
Bathgate	GDN (SC)	24.18
Broxburn	GDN (SC)	60.44
Burnhervie	GDN (SC)	22.38
Careston	GDN (SC)	3.85
Drum	GDN (SC)	82.53
St Fergus	GDN (SC)	1.06
Glenmavis	GDN (SC)	145.79

Hume	GDN (SC)	1.68
Kinknockie	GDN (SC)	3.07
Langholm	GDN (SC)	0.25
Lauderhill	GDN (SC)	1.79
Lockerbie	GDN (SC)	7.44
Netherhowcleugh	GDN (SC)	0.32
Pitcairngreen	GDN (SC)	1.92
Soutra	GDN (SC)	10.73
Stranraer	GDN (SC)	0.93
Farningham	GDN (SE)	86.62
Farningham B	GDN (SE)	80.37
Shorne	GDN (SE)	62.35
Tatsfield (OT)	GDN (SE)	213.92 <u>209.02</u>
Winkfield (SE)	GDN (SE)	106.26
Braishfield A	GDN (SO)	107.28 <u>102.84</u>
Braishfield B	GDN (SO)	58.87
Crawley Down	GDN (SO)	0.00
Hardwick	GDN (SO)	123.70
Ipsden	GDN (SO)	12.39
Ipsden 2	GDN (SO)	15.68
Mappowder	GDN (SO)	44.68 <u>38.54</u>
Winkfield (SO)	GDN (SO)	71.86 <u>69.56</u>
Aylesbeare	GDN (SW)	22.68
Cirencester	GDN (SW)	8.97
Coffinswell	GDN (SW)	5.15
Easton Grey	GDN (SW)	29.60
Evesham	GDN (SW)	6.57
Fiddington	GDN (SW)	25.95
Ilchester	GDN (SW)	34.96
Kenn	GDN (SW)	15.43
Littleton Drew	GDN (SW)	2.90
Lyneham (Choakford)	GDN (SW)	50.30
Pucklechurch	GDN (SW)	25.79
Ross (SW)	GDN (SW)	4.53
Seabank (DN)	GDN (SW)	60.74
Alrewas (WM)	GDN (WM)	128.48 <u>127.18</u>
Aspley	GDN (WM)	84.65 <u>83.95</u>
Audley (WM)	GDN (WM)	21.83
Austrey	GDN (WM)	87.84
Leamington	GDN (WM)	4.26

Lower Quinton	GDN (WM)	29.91
Milwich	GDN (WM)	21.6454
Ross (WM)	GDN (WM)	16.52
Rugby	GDN (WM)	80.08
Shustoke	GDN (WM)	44.76
Stratford-upon-Avon	GDN (WM)	4.68
Maelor	GDN (WN)	57.56
Dowlais	GDN (WS)	110.64 96.16
Dyffryn Clydach	GDN (WS)	40.23
Gilwern	GDN (WS)	82.68
Abson (Seabank Power Station phase I)	DC	36.59
Air Products (Teesside)	DC	0.00
Apache (Sage Black Start)	DC	0.00
Bacton (Great Yarmouth)	DC	20.04
Barking (Horndon)	DC	58.59 36.49
Barrow (Black Start)	DC	1.00
Billingham ICI (Terra Billingham)	DC	33.64
Bishop Auckland (test facility)	DC	0.00
Blackness (BP Grangemouth)	DC	27.29
Blyborough (Brigg)	DC	16.89
Blyborough (Cottam)	DC	19.30
Brine Field (Teesside) Power Station	DC	0.00
Burton Point (Connahs Quay)	DC	73.21
Caldecott (Corby Power Station)	DC	21.12
Carrington (Partington) Power Station	DC	45.00
Cockenzie Power Station	DC	0.00
Coryton 2 (Thames Haven) Power Station	DC	0.00
Centrax Industrial	DC	0.09
Deeside	DC	28.48
Didcot	DC	137.76
Drakelow Power Station	DC	0.00
Eastoft (Keadby Blackstart)	DC	1.46

Eastoft (Keadby)	DC	36.06
Eggborough Power Station	DC	0.00
Enron Billingham	DC	114.90 90 <u>9085</u>
Epping Green (Enfield Energy, aka Brimsdown)	DC	19.60
Ferny Knoll (AM Paper)	DC	1.080 <u>1.00</u>
Fordoun CNG Station	DC	0.00
Glasgoforest	DC	0.00
<u>Glentham</u>	<u>DC</u>	<u>0.00</u>
Goole (Guardian Glass)	DC	1.62
Gowkhall (Longannet)	DC	43.32
Grain Power Station	DC	0.00
Harwarden (Shotton, aka Shotton Paper)	DC	11.59
Hatfield Power Station	DC	0.00
Hirwaun Power Station	DC	0.00 <u>25.80</u>
Hollingsgreen (Hays Chemicals)	DC	3.25
Keadby 2 Power Station	DC	39.78
Kinneil CHP	DC	0.00
Langage Power Station	DC	41.62
Marchwood Power Station	DC	39.84
Medway (aka Isle of Grain Power Station NOT Grain Power)	DC	38.12
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC	95.34
Millbrook Power Station	DC	0.00 <u>25.80</u>
Moffat (Irish Interconnector)	INTERCONNECTOR	530.09
Palm Paper	DC	4.20
Pembroke Power Station	DC	121.20
Peterborough (Peterborough Power)	DC	2.80
Phillips Petroleum, Teesside	DC	3.69
Pickmere (Winnington Power, aka Brunner Mond)	DC	15.38
Rosecote Power Station (Barrow)	DC	14.73 <u>9.93</u>
Rosehill (Saltend Power Station)	DC	57.83

Progress Power Station	DC	0.00 <u>85.80</u>
Ryehouse	DC	38.66
Saddle Bow (Kings Lynn)	DC	17.98
Saltend BPHP (BP Saltend HP)	DC	9.10
Saltholme Power Station	DC	7.31
<u>Sandbach Power Station</u>	<u>DC</u>	<u>0.00</u>
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC	4.55
Seabank (Seabank Power Station phase II)	DC	19.10
Seal Sands TGPP	DC	0.00
Sellafield Power Station	DC	12.35
Shellstar (aka Kemira, not Kemira CHP)	DC	16.24
<u>Shotton Mill CHP</u>	<u>DC</u>	<u>0.00</u>
Shotwick (Bridgewater Paper)	DC	5.52
Spalding 2 (South Holland) Power Station	DC	0.00
St Fergus Segal	DC	0.00
St. Fergus (Shell Blackstart)	DC	2.58
St. Fergus (Peterhead)	DC	108.30
St. Neots (Little Barford)	DC	35.20
Stallingborough	DC	68.01
Stanford Le Hope (Coryton)	DC	38.60
Staythorpe	DC	164.00
Sutton Bridge Power Station	DC	42.64
Teesside (BASF, aka BASF Teesside)	DC	9.75
Teesside Hydrogen	DC	13.28
Terra Nitrogen (aka ICI, Terra Severnside)	DC	12.58 <u>0.00</u>
Thornton Curtis (Humber Refinery, aka Immingham)	DC	67.00
Thornton Curtis (Killingholme)	DC	91.00
<u>Thurrock Power Station</u>	<u>DC</u>	<u>0 4.92</u>
Tilbury Power Station	DC	0.00
Tonna (Baglan Bay)	DC	42.54 <u>28.26</u>
Trafford Power Station	DC	0.00

Upper Neeston (Milford Haven Refinery)	DC	8.30
West Burton Power Station	DC	26.84
Weston Point (Castner Kelner, aka ICI Runcorn)	DC	11.68
Weston Point (Rocksavage)	DC	40.77
Willington Power Station	DC	0.00
Wragg Marsh (Spalding)	DC	37.28
Wyre Power Station	DC	0.00
Zeneca (ICI Avecia, aka "Zenica")	DC	0.11
Bacton (Baird)	STORAGE SITE	0.00
Barrow (Bains)	STORAGE SITE	0.00
Barrow (Gateway)	STORAGE SITE	0.00
Caythorpe	STORAGE SITE	75.00
Deborah Storage (Bacton)	STORAGE SITE	0.00
Hatfield Moor Max Refill	STORAGE SITE	30.21
Hill Top Farm (Hole House Farm)	STORAGE SITE	0.00
Holford	STORAGE SITE	0.00
Hole House Max Refill	STORAGE SITE	119.58
Partington Max Refill	STORAGE SITE	2.41
Saltfleeby Storage (Theddlethorpe)	STORAGE SITE	0.00
Stublach (Cheshire)	STORAGE SITE	0.00
Glenmavis Max Refill	STORAGE SITE	1.62
Barton Stacey Max Refill (Humbly Grove)	STORAGE SITE	100.94
Avonmouth Max Refill	STORAGE SITE	2.30
Dynevor Max Refill	STORAGE SITE	2.61
Garton Max Refill (Aldbrough)	STORAGE SITE	325.51
Hornsea Max Refill	STORAGE SITE	44.79
Rough Max Refill	STORAGE SITE	370.48
Bacton (exit) IP	INTERCONNECTOR	651.68

Special Condition 9.14 Prohibited procurement activities

Introduction

- 9.14.1 The purpose of this condition is to set out the restriction on the licensee regarding the acquisition of capacity rights, gas or gas derivatives.

9.14.2 The effect of this condition is to:

- (a) specify the prohibited activities that the licensee is not allowed to take regarding the acquisition of gas products; and
- (b) specify the conditions and exemptions where the licensee would be allowed to acquire gas products.

Part A: Prohibited procurement activities obligation

9.14.3 Subject to paragraph 9.14.4, the licensee must not either on its own account or on behalf of:

- (a) any Affiliate or Related Undertaking of the licensee; or
- (b) any other business operated by the holder of this licence or its Affiliates or Related Undertakings under a separate licence under section 7 of the Act for a Relevant Gas Transporter

purchase, enter into agreements for or otherwise acquire capacity rights, gas or

gas derivatives with the intention of subsequently selling, assigning or otherwise disposing of such assets to third parties, and the licensee must

procure that anyone specified in sub-paragraphs (a) and (b) will not undertake

such transactions on its own account, or on behalf of the licensee, or of anyone

specified in sub-paragraphs (a) and (b).

9.14.4 The prohibition in paragraph 9.14.3 will not apply if the transactions referred to in paragraph 9.14.3 are undertaken:

- (a) by an Affiliate or Related Undertaking of the licensee each on its own account or on behalf of Affiliates or Related Undertakings specified in paragraphs 9.14.3(a) and (b) other than the licensee, provided that, in respect of each case, such Affiliate or Related Undertaking holds a licence under section 7 of the Act, issued by the Authority, or exempted from the requirement to hold such a licence, and that such licence or exemption does not prohibit such transactions;
- (b) with the prior consent of the Authority;
- (c) in accordance with the licensee's functions under the Network Code; or
- (d) by the licensee on its own account for the purpose of facilitating balancing management or Constraint Management provided that such transactions:
 - i. are conducted on economic and efficient terms; and
 - ii. facilitate the economic and efficient operation of the Transportation System.

Special Condition 9.15 NTS shortfall contribution obligations

Introduction

9.15.1 The purpose of this condition is to require the licensee, in specified circumstances, to modify the charges imposed by it in carrying on its Licensed Activity to raise such amounts as are specified by the Secretary of State in a Shortfall Direction:

(a) from the persons; and

(b) in the manner

specified in such Shortfall Direction, and to pay such amounts to the persons specified in the Shortfall Direction.

Part A: Licensee's obligations under this condition

9.15.2 Where there is a shortfall during or at the completion of an energy administration, energy supply company administration or smart meter communication licensee administration the Secretary of State, after consultation with the Authority and the licensee, may issue one or more Shortfall Directions to the licensee specifying:

(a) the amount of the shortfall (including the amount of any interest accruing on the shortfall calculated to the date specified in sub-paragraph (f));

(b) the amount to be raised by the licensee and applied in making good the shortfall;

(c) the Shortfall Payment Recipients;

(d) the rate or rates of interest applicable to any part or parts of the amount referred to in sub-paragraph (b), and any other relevant information to enable the licensee to calculate liability (if any) for payment of any interest in respect of any late payment of such amount to or by the licensee;

(e) the method or methods by which the licensee may raise the amount referred to in sub-paragraph (b) (including, without limitation, the manner in which and persons from whom it is to be raised and whether such amount is to be raised within or outside the licensee's normal billing cycle);

(f) the date by which the licensee is required to pay the Shortfall Payment Recipients the amount referred to in sub-paragraph (b) (or, where payment of the amount is required in instalments, the dates on which the licensee is required to make payment of each instalment);

(g) where the shortfall includes relevant debts owed to more than one Shortfall Payment Recipient, the priority in which the amount referred to in sub-paragraph (b) is to be applied in discharging those debts;

(h) the extent to which the Shortfall Direction modifies or replaces a previously issued Shortfall Direction;

- (i) where a Shortfall Direction is to modify or replace any previously issued Shortfall Direction, where appropriate, a requirement not to modify charges further pursuant to paragraph 9.15.6;
- (j) the Permitted Administration Fee and the manner in which the Permitted Administration Fee is to be raised,
- (k) and the licensee must comply with any such Shortfall Direction.

9.15.3 As soon as reasonably practicable after receiving a Shortfall Direction, the licensee must:

- (a) modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be approved by the Authority), the change in its revenue resulting from the modification will equal the amount to be raised by it as specified in the Shortfall Direction (including, at the licensee's discretion, any Permitted Administration Fee); and
- (b) notify the persons who are subject to the charges so modified of:
- (c) the modifications made to the charges;
- (d) any modification to the date or time period within which charges shall be paid;
- (e) the reason for those modifications; and
- (f) the interest rate applicable to late payment of modified charges.

9.15.4 The licensee must on or before the date (or dates) specified in the Shortfall Direction pay the amount raised under paragraph 9.15.3(a), (excluding any Permitted Administration Fee), to the Shortfall Payment Recipients, in accordance (where applicable) with any priority set out in the Shortfall Direction.

9.15.5 For the avoidance of doubt the licensee shall not at any time be under any liability:

- (a) to make any payments to any Shortfall Payment Recipient, to the extent that those payments exceed the amount of additional revenue which the licensee has already received pursuant to the modification of its charges in accordance with this condition (excluding any Permitted Administration Fee); or
- (b) to pay interest on any amounts due to any Shortfall Payment Recipient in respect of any period for which any payment is late (in whole or in part) where the delay to such payment arises from the late payment of money to the licensee.

9.15.6 Save where the Secretary of State specifies otherwise in a Shortfall Direction modifying or replacing a previous Shortfall Direction, if the amount raised by the licensee under paragraph 9.15.3(a) (excluding any Permitted Administration Fee):

- (a) is less than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall (other than as a result

of late, partial or non-payment of the modified charges by one or more party subject to those charges), the licensee must:

- i. as soon as is reasonably practicable, modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of that deficit together with any interest as specified in the Shortfall Direction; and
 - ii. pay that amount to the Shortfall Payment Recipients as soon as is reasonably practicable and at the latest by any date specified in the Shortfall Direction; or
- (b) is more than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall, the licensee must as soon as reasonably practicable, further modify its charges so as to secure that, in its reasonable estimation (such estimate to be approved by the Authority), the change in its revenue effected by such modification will equal the amount of the excess together with any accrued interest thereon.

9.15.7 For the purposes of paragraphs 9.15.3(a) and 9.15.6:

- (a) the licensee may modify its charges notwithstanding that it has not given prior notice of such a variation required by any other condition of this licence or the Uniform Network Code and any charges levied by the licensee after modification pursuant to paragraph 9.15.3(a) or 9.15.6 will be deemed to be compliant with the licensee's obligations under Standard Special Condition A4 (Charging - General) and Standard Special Condition A5 (Obligations as Regard Charging Methodology);
- (b) the licensee must not enter into any agreement with another party which does not permit it to vary its charges in pursuance of this condition and must take all steps within its power to amend, where necessary, any existing agreement to permit such variation; and
- (c) in modifying its charges for the purposes of this condition the licensee must not discriminate between any person or class or classes of person, except in so far as any differences in charges reasonably reflect objective differences between such persons or classes of persons or in so far as any differences in charges are required to give effect to the Shortfall Direction.

9.15.8 The licensee must, as soon as is reasonably practicable after making any payment under paragraph 9.15.4 or 9.15.6, send a notice to the Authority and to the Secretary of State specifying the amount of that payment, the Shortfall Payment Recipients to whom it was paid, the date on which it was paid and whether any of the payment was made up of interest resulting from late payment.

9.15.9 Any change in the licensee's SO Recovered Revenue or TO Recovered Revenue attributable to the licensee's compliance with this condition will be treated as if it had not occurred.

9.15.10 The licensee must prepare, in respect of each period of 12 months ending on 31 March in which its charges are modified in pursuance of paragraph 9.15.3(a) or 9.15.6, a statement showing:

- (a) the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph 9.15.3(a);
- (b) the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph 9.15.6(a);
- (c) the aggregate amount of the change in its revenue resulting from any modification to charges in pursuance of paragraph 9.15.6(b);
- (d) the aggregate payments made by the licensee during that period of 12 months ending on 31 March in accordance with paragraph 4 and, where applicable, paragraph 9.15.6(a),

and must send the statement to the Authority during the period of four months beginning with the date on which the period to which it relates ends.

9.15.11 As soon as is reasonably practicable after sending a statement under paragraph 9.15.10 to the Authority, the licensee must also publish it on its website.

9.15.12 In this condition:

- (a) any words or expressions used in Chapter 3 of Part 3 of the Energy Act 2004 shall have the same meaning in this condition as in that Chapter;
- (b) any words or expressions used in Chapter 5 of Part 2 of the Energy Act 2011 shall have the same meaning in this condition as in that Chapter; and
- (c) any words or expressions used in the Smart Meters Act 2018 shall have the same meaning in this condition as they do in that Act.

~~Special Condition 9.16 Restriction of prices in respect of Tariff Capped Metering Activities~~

~~Introduction~~

~~9.16.1—The purpose of this condition is to set out the tariff caps on certain metering activities.~~

~~Part A: Principal restriction~~

~~9.16.2—The licensee in setting its charges for each of its Tariff Capped Metering Activities in any Regulatory Year must not exceed the maximum tariff cap M_{t}^{A} in respect of that metering activity in that Regulatory Year.~~

~~Part B: Maximum tariff caps (M_{t}^{A})~~

~~9.16.3—For the Regulatory Year commencing on 1 April 2021, the maximum tariff caps have the values set out in the following table.~~

Activity	Description	Maximum tariff caps (M^A) for 2021/22 (£ nominal)
$M^{A=1}$	Annual charge for providing and maintaining the assets that form a Domestic Credit Meter Installation, per meter per annum.	£17.70
$M^{A=2}$	Annual charge for providing and maintaining the assets that form a Prepayment Meter Installation, per meter per annum.	£44.27
$M^{A=3}$	Annual charge for providing a daily meter reading for Daily Metered Supply Meter Points, per supply meter point per annum.	£602.71
$M^{A=4}$	Carrying out work to replace a Domestic Credit Meter with a Prepayment Meter, per job undertaken.	£94.81

9.16.4 For each subsequent Regulatory Year, the maximum tariff caps have the value derived in accordance with the following formula:

$$M_t^A = M_{t-1}^A \times RPI_t$$

where

RPI_t means the arithmetic average of the Retail Prices Index with respect to each of the six months from June to November in Regulatory Year $t-1$ divided by the arithmetic average of the Retail Price Index numbers with respect to the period from June to November in Regulatory Year $t-2$.

Part C: Departure from published statements of charges in respect of Tariff Capped Metering Activities

This paragraph applies where:

- (b) the licensee proposes to depart from its published statement of charges;
- (c) the departure would include increasing the licensee's charges to a supplier to a level which would in any Regulatory Year result in a breach of the licensee's obligations under paragraph 9.16.2; and
- (d) the departure arises either:
 - i. because of the supplier having wholly or partly disposed of its meters; or
 - ii. because the licensee considers the departure necessary to comply with the duty in paragraph 4 of Standard Special Condition B8 (Provision of Terms).

- ~~9.16.5~~ Where paragraph 9.16.5 applies the licensee must make a written application to the Authority:
- ~~(a) specifying why the change is proposed;~~
 - ~~(b) specifying the metering activities to be provided to the supplier;~~
 - ~~(c) specifying the proposed level of charges broken down between the different kinds of metering activities to be provided to the supplier; and~~
 - ~~(d) including such other information to support its application as the Authority may reasonably specify in writing.~~
- ~~9.16.6~~ In paragraph 9.16.5 the reference to the statement of charges is a reference to the statement prepared in accordance with Standard Special Condition B8 (Provision of Terms) in respect of the provision of Tariff Capped Metering Activities.
- ~~9.16.7~~ The licensee may, with effect from the date of the application, levy the charges specified in that application in respect of that supplier if:
- ~~(a) the Authority confirms in writing that it consents to such charges with or without amendment and to such extent, and on the basis of such terms and conditions, as the Authority may specify (in which case the licensee must apply the charges with any such amendment and only to such extent, and must comply with those terms and conditions); or~~
 - ~~(b) the Authority has not issued a direction to the licensee requiring the licensee not to exceed the maximum tariff cap during the period of 90 days beginning with the date of receipt of the application.~~
- ~~9.16.8~~ Subject to any direction given by the Authority, this condition shall cease to have effect on 31 December 2024.

~~Special Condition 9.17~~Special Condition 9.16 Entry Capacity and Exit Capacity obligations and methodology statements

Introduction

~~9.17.~~9.16.1 This condition places the following obligations on the licensee:

- (a) to maintain and comply with an:
 - i. Entry Capacity Substitution methodology statement;
 - ii. Entry Capacity Transfer and Entry Capacity Trade methodology statement;
 - iii. Exit Capacity Substitution and Exit Capacity Revision methodology statement; and
 - ~~iv. Exit Capacity Revision methodology statement;~~
- (b) to report to the Authority; and
- (c) to publish the statements referred to in sub-paragraph (a).

~~9.17.29.16.2~~ This condition also sets out:

- (a) the capacity-related objectives which the statements referred to in paragraph ~~9.17.16.1~~(a) must facilitate; and
- (b) the process for the licensee to revise the statements referred to in paragraph ~~9.17.16.1~~(a).

Part A: The methodology statements

~~9.17.39.16.3~~ The licensee must have in place the following statements approved by the Authority:

- (a) an Entry Capacity Substitution methodology statement;
- (b) an Entry Capacity Transfer and Entry Capacity Trade methodology statement; and
- ~~(c)~~ an Exit Capacity Substitution methodology statement; and
- ~~(d)~~ (c) an Exit Capacity Revision methodology statement;

~~9.17.49.16.4~~ The statements required by paragraph ~~9.17.16.3~~ must facilitate the achievement of the capacity-related objectives set out in Part C.

Part B: Obligation to apply the methodologies in the methodology statements

~~9.17.59.16.5~~ The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Entry Capacity Substitution methodology statement when carrying out Entry Capacity Substitution.

~~9.17.69.16.6~~ The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Entry Capacity Transfer and Entry Capacity Trade methodology statement when carrying out Entry Capacity Transfer and Entry Capacity Trade.

~~9.17.79.16.7~~ The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Exit Capacity Substitution and Exit Capacity Revision methodology statement when carrying out Exit Capacity Substitution.

~~9.17.89.16.8~~ The licensee must, unless the Authority otherwise directs, use reasonable endeavours to apply the methodology in the Exit Capacity Substitution and Exit Capacity Revision methodology statement when carrying out Exit Capacity Revision.

Part C: Capacity-related objectives

~~9.17.99.16.9~~ The capacity-related objectives are:

- (a) ensuring that each of Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision are effected in a manner consistent with the licensee's

duties under the Act and, in particular, the duty to develop and maintain an efficient and economical pipeline system, and its obligations under this licence;

(b) in so far as is consistent with sub-paragraph (a), ensuring that:

- i. Entry Capacity Substitution is effected in a manner which seeks to minimise the need to make an application under Special Condition ~~3.43~~11 (Funded incremental obligated capacity Re-opener and Price Control Deliverable), taking into account the Entry Capacity that shippers and, where relevant DN Operators, have indicated that they will require in the future through making a financial commitment to the licensee; and
- ii. Exit Capacity Substitution is effected in a manner which seeks to minimise the need to make an application under Special Condition ~~3.43~~11 (Funded incremental obligated capacity Re-opener and Price Control Deliverable), taking into account the Exit Capacity that shippers and DN Operators have indicated that they will require in the future through making a financial commitment to the licensee;

(c) in so far as is consistent with sub-paragraph (a), ensuring that Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision are effected in a manner which is compatible with the physical capability of the pipeline system to which this licence relates;

(d) in so far as is consistent with sub-paragraph (a), avoiding material increases in the costs that are reasonably expected to be incurred by the licensee as a result of Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision, including Entry Capacity Constraint Management and Exit Capacity Constraint Management costs in respect of Obligated Entry Capacity and Obligated Exit Capacity previously allocated by the licensee to Relevant Shippers and, where relevant, to DN Operators; and

(e) in so far as is consistent with sub-paragraph (a) and, where relevant, sub-paragraphs (b), (c) and (d), facilitating effective competition between:

- i. Relevant Shippers, and where relevant, DN Operators; and
- ii. Relevant Suppliers.

Part D: Review and revision of the methodology statements

~~9.17.10~~9.16.10 _____ The licensee must, if so directed by the Authority, and in any event not less than once in every period of two Regulatory Years:

(a) review the statements referred to in paragraph ~~9.17~~16.3 in consultation with:

- i. Relevant Shippers;
- ii. in relation to revisions concerning Exit Capacity Substitution or Exit Capacity Revision, DN Operators; and
- iii. any other interested parties; and

(b) notify the Authority of the outcome of its review.

~~9.17.11~~9.16.11 Before revising a statement referred to in paragraph ~~9.17~~9.16.3, the licensee must:

- (a) provide a copy of the proposed revisions to the Authority and to any interested party who asks for one;
- (b) consult for a period of not less than 28 days with the parties referred to in paragraph ~~9.17~~9.16.10(a);
- (c) during the period of 14 days beginning with the day after the date on which the consultation closes, submit to the Authority a report setting out:
 - i. the revisions originally proposed;
 - ii. any representations made and not withdrawn; and
 - iii. any changes to the revisions proposed as a result of such representations; and
- (d) ~~submit~~ The licensee must, when directed to by the Authority, alongside the report ~~underreferred to in sub-paragraph (c), submit~~ a statement from an Independent Examiner:
 - i. confirming that the Independent Examiner has carried out ~~an examination~~ a review, the scope and objectives of which were approved by the Authority; and
 - ii. giving ~~an opinion~~ a report on whether the consistency of the statement as revised ~~would be consistent~~ with the licensee's duties under the Act and with the licensee's obligations under this licence.

~~9.17.12~~9.16.12 During the period of 56 days beginning with the date of receipt of the report and statement referred to in ~~9.17~~9.16.11(c) and (d), the Authority will:

- (a) approve any revisions proposed by the licensee;
- (b) reject any proposed revisions; or
- (c) request more information from the licensee and approve or reject the proposed revisions within 28 days of receipt of information that the Authority considers satisfies its request.

~~9.17.13~~9.16.13 Where the Authority takes no action under paragraph ~~9.17~~9.16.12 the licensee may treat the proposed revisions as approved.

Part E: Licensee's obligation to report to the Authority

~~9.17.14~~9.16.14 The licensee must, by 31 May in each Regulatory Year, or by such later date as the Authority may direct, report to the Authority, in such format as the Authority directs, on:

- (a) the application, over the previous Regulatory Year, of the statements referred to in paragraph ~~9.17~~9.16.3;
- (b) the licensee's view on the extent to which, over the previous Regulatory Year, the capacity-related objectives in Part C were achieved; and
- (c) the aggregate levels of change in capacity, over the previous Regulatory Year, as a result of Entry Capacity Transfer, Entry Capacity Trade, Entry

Capacity Substitution, Exit Capacity Substitution and Exit Capacity Revision.

Part F: Licensee's obligation to publish documents

~~9.17.15~~9.16.15 The licensee must publish the current versions of the statements in paragraph ~~9.17~~16.3 on its website.

Part G: Derogations

~~9.17.16~~9.16.16 The licensee may apply to the Authority for a derogation relieving the licensee of any of its obligations under this condition.

~~Special Condition 9.18~~Special Condition 9.17 Methodology to determine the release of Entry Capacity and Exit Capacity volumes

Introduction

~~9.18.19~~19.17.1 This condition places the following obligations on the licensee:

- (a) to release Obligated Entry Capacity and Obligated Exit Capacity;
- (b) to maintain and comply with capacity release methodology statements;
- (c) to report to the Authority; and
- (d) to publish the capacity release methodology statements.

~~9.18.29~~19.17.2 This condition also sets out the process for the licensee to revise the capacity release methodology statements.

Part A: Release of Obligated Entry Capacity and Obligated Exit Capacity

~~9.18.39~~19.17.3 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to release Obligated Entry Capacity at each NTS Entry Point in all available Allocations up to the end of the day to which the capacity relates, in accordance with the provisions of Standard Special Condition A5 (Obligations as Regard Charging Methodology).

~~9.18.49~~19.17.4 The licensee must, unless the Authority otherwise directs, use reasonable endeavours to release Obligated Exit Capacity at each NTS Exit Point in all available Allocations up to the end of the day to which the capacity relates, in accordance with the provisions of Standard Special Condition A5 (Obligations as Regard Charging Methodology).

Part B: Capacity release methodology statements

~~9.18.59~~19.17.5 The licensee must have in place the following capacity release methodology statements approved by the Authority:

- (a) an Entry Capacity release methodology statement; and
- (b) an Exit Capacity release methodology statement.

~~9.18.69.17.6~~ 9.18.79.17.6 The Entry Capacity release methodology statement must:

- (a) set out how the licensee decides whether to make Incremental Entry Capacity available for sale to Relevant Shippers and, where relevant, DN Operators;
- (b) set out how, where the licensee makes Incremental Entry Capacity available, the licensee decides what quantity to make available;
- (c) unless the Authority otherwise directs, include a net present value test which includes the following parameters:
 - i. the net present value test is considered to have been passed if the outcome of the test is a figure greater than or equal to 0.5;
 - ii. cash flows are discounted by the social time preference rate that is published in accordance with “The Green Book: Central Government Guidance on Appraisal and Evaluation” as amended from time to time; and
 - iii. the net present value test is calculated over a period of 32 quarters;
- (d) set out how the licensee offers for sale Obligated Entry Capacity to Relevant Shippers and, where relevant, DN Operators; and
- (e) incorporate the obligation set out in paragraph ~~9.18.17.3~~ 9.18.79.17.3.

~~9.18.79.17.7~~ 9.18.89.17.7 The Exit Capacity release methodology statement must:

- (a) set out how the licensee decides whether to make Incremental Exit Capacity available for sale to Relevant Shippers and DN Operators;
- (b) set out where the licensee makes Incremental Exit Capacity available, how it decides what quantity to make available, and how much capacity is made available;
- (c) set out how the licensee offers for sale Obligated Exit Capacity to Relevant Shippers and DN Operators; and
- (d) incorporate the obligation set out in paragraph ~~9.18.17.4~~ 9.18.89.17.4.

Part C: Obligation to apply the methodologies in the capacity release methodology statements

~~9.18.89.17.8~~ 9.18.99.17.8 The licensee must use reasonable endeavours to apply the methodology in the Entry Capacity release methodology statement when:

- (a) releasing Entry Capacity to Relevant Shippers and, where relevant, to DN Operators; and
- (b) when offering for sale Obligated Entry Capacity to Relevant Shippers and, where relevant, DN Operators.

~~9.18.99.17.9~~ 9.18.109.17.9 The licensee must use reasonable endeavours to apply the methodology in the Exit Capacity release methodology statement when:

- (a) releasing Exit Capacity to Relevant Shippers and DN Operators; and
- (b) when offering for sale Obligated Exit Capacity to Relevant Shippers and DN Operators.

Part D: Review and revision of the capacity release methodology statements

~~9.18.10~~9.17.10 The licensee must, if so directed by the Authority, and in any event at least once in every period of two Regulatory Years:

- (a) review the capacity release methodology statements required under Part B in consultation with:
 - i. Relevant Shippers;
 - ii. in relation to reviewing Exit Capacity release, DN Operators; and
 - iii. any other interested parties; ~~and~~;
- (b) notify the Authority of the outcome of its review.

~~9.18.11~~9.17.11 Before revising a capacity release methodology statement, the licensee must:

- (a) provide a copy of the proposed revisions to the Authority and to any interested party who asks for one;
- (b) consult for a period of not less than 28 days with the parties referred to in paragraph ~~9.18.10~~9.17.10(a);
- (c) within 14 days of the close of the consultation, submit to the Authority a report setting out:
 - i. the revisions originally proposed;
 - ii. any representations made and not withdrawn; and
 - iii. any change to the revisions proposed as a result of such representations; and
- (d) ~~submit~~ The licensee must when directed to by the Authority, alongside the report, referred to in sub-paragraph (c), submit a statement from an Independent Examiner:
- (e) confirming that the Independent Examiner has carried out ~~an examination~~ a review, the scope and objectives of which were approved by the Authority; and
- (f) giving ~~an opinion~~ a report on ~~whether the consistency of~~ the capacity release methodology statement as revised ~~would be consistent~~ with the licensee's duties under the Act and with the licensee's obligations under this licence.

~~9.18.12~~9.17.12 During the period of 56 days beginning with the date of receipt of the report and statement referred to in ~~9.18.11~~9.17.11(c) and (d), the Authority will:

- (a) approve the revisions proposed by the licensee;
- (b) reject the proposed revisions; or
- (c) request more information from the licensee and approve or reject the proposed revisions within 28 days of receipt of information that the Authority considers satisfies its request.

~~9.18.13~~9.17.13 Where the Authority takes no action under paragraph ~~9.18~~9.17.12 the licensee may treat the proposed revisions as approved.

Part E: Licensee's obligation to report to the Authority

~~9.18.14~~9.17.14 The licensee must, at least once in each Regulatory Year, provide a report to the Authority on:

(a) the levels of:

- i. Obligated Entry Capacity that the licensee is required to release to Relevant Shippers and, where relevant DN Operators, at each NTS Entry Point; and
- ii. Obligated Exit Capacity that the licensee is required to release to Relevant Shippers and to DN Operators at each NTS Exit Point; and

(b) the Incremental Entry Capacity and Incremental Exit Capacity release requests, including requests resulting from PARCA applications, and the progress of those requests during the previous Regulatory Year.

Part F: Licensee's obligation to publish documents

~~9.18.15~~9.17.15 The licensee must publish the current versions of the capacity release methodology statements required under Part B on its website.

Part G: Derogations

~~9.18.16~~9.17.16 The licensee may apply to the Authority for a derogation relieving the licensee of any of its obligations under this condition.

~~Special Condition 9.19~~Special Condition 9.18 System Management Services

Introduction

~~9.19.1~~9.18.1 The purpose of this condition is to require the licensee to have in place and maintain:

- (a) a Procurement Guidelines Document; **and**
- ~~(b)~~ a System Management Principles Statement;
- ~~(c)~~(b) a System Management Services Adjustment Methodology; **and**
- ~~(d)~~ a statement that complies with the requirements under Part E in respect of that methodology.

Part A: General Duties under this Condition

~~9.19.2~~9.18.2 The licensee must operate the pipeline system to which this licence relates in an efficient, economic and co-ordinated manner.

~~9.19.3~~9.18.3 The licensee must not show undue preference to, or unduly discriminate between, any person or any class or classes of persons when procuring or using System Management Services.

~~9.19.49.18.4~~ 9.19.18.4 The licensee's obligations under paragraph ~~9.19.18.3~~ include an obligation to ensure that the following persons or undertakings also comply with the prohibitions imposed by that paragraph:

- (a) any Affiliate or Related Undertaking of the licensee; and
- (b) any other business operated by the holder of this licence, or by any Affiliate or Related Undertaking of the licensee, under a licence under section 7 of the Act for a Relevant Gas Transporter.

Part B: Procurement Guidelines Document

~~9.19.59.18.5~~ 9.19.18.5 The licensee must have in place before 1 April in each Regulatory Year, a Procurement Guidelines Document which sets out:

- (a) the kinds of System Management Services that the licensee may be interested in purchasing during that Regulatory Year; and
- (b) the mechanisms by which the licensee envisages purchasing, entering into agreements for the provision of, or otherwise acquiring those services.

~~9.19.69.18.6~~ 9.19.18.6 The licensee must revise its Procurement Guidelines Document within the relevant Regulatory Year if its intentions in relation to the procurement of System Management Services change during that period.

~~9.19.79.18.7~~ 9.19.18.7 During the first month of each Regulatory Year, the licensee must prepare a report, in a form approved by the Authority, about the System Management Services that the licensee has bought or acquired in the preceding Regulatory Year.

Part C: System Management Principles Statement

~~9.19.89.18.8~~ 9.19.18.8 The licensee must have in place a System Management Principles Statement which sets out the principles and criteria by which the licensee will at different times and in different circumstances determine:

- (a) which System Management Services the licensee will use to assist it in the operation of the NTS; and
- (b) when and for what purpose the licensee would resort to measures not involving the use of System Management Services in the operation of the NTS.

~~9.19.99.18.9~~ 9.19.18.9 The licensee must comply with the provisions of the System Management Principles Statement.

~~9.19.109.18.10~~ 9.19.18.10 As soon as reasonably practicable after the end of each Regulatory Year, the licensee must prepare a report that:

- (a) describes the manner in which, and the extent to which, the licensee has, during that year, complied with the provisions of the System Management Principles Statement; and
- (b) states whether any modification should be made to that statement to reflect more closely the practice of the licensee.

~~9.19.11~~9.18.11 _____ The report must, when directed by the Authority, be accompanied by a statement from an Independent Examiner that:

- (a) confirms that the Independent Examiner has carried out ~~an investigation~~a review, the scope and objectives of which were established by the licensee and approved by the Authority; and
- (b) gives the Independent Examiner's ~~opinion~~report on its findings regarding the extent to which the licensee has complied with the provisions of the System Management Principles Statement.

~~9.19.12~~9.18.12 _____ The licensee may from time to time revise its System Management Principles Statement in accordance with the requirements under Part D.

Part D: Procedure for revising the System Management Principles Statement

~~9.19.13~~9.18.13 _____ The licensee must, if so directed by the Authority, and in any event at least once in each Regulatory Year, review its System Management Principles Statement in consultation with Gas Shippers, DN Operators, and other persons likely to be materially affected by the licensee's use of System Management Services.

~~9.19.14~~9.18.14 _____ The consultation must allow a period of not less than 28 days in which persons can make representations to the licensee.

~~9.19.15~~9.18.15 _____ During the period of 7 days beginning with the date on which the consultation is completed, the licensee must send to the Authority:

- (a) a report on the outcome of the review;
- (b) a statement of any proposed revisions to the System Management Principles Statement that the licensee (having regard to the outcome of the review) reasonably considers would better achieve the principles and criteria referred to in paragraph ~~9.19~~9.18.8; and
- (c) any written representations (including any proposals for revising the statement that have not been accepted by the licensee) that were received from any of the persons mentioned in paragraph ~~9.19~~9.18.13 during the consultation process and have not been withdrawn.

~~9.19.16~~9.18.16 _____ The licensee may revise the System Management Principles Statement only in accordance with any revision that falls within the statement of proposed revisions under paragraph ~~9.19~~9.18.15(b), and only if the Authority consents to that revision.

~~Part E: System Management Services Adjustment Methodology~~

~~9.19.17~~ This Part applies where the Uniform Network Code provides that any charge is to be determined (in whole or in part) by reference to the costs and volumes of Relevant System Management Services.

~~9.19.18 Where this Part applies, the licensee must have in place and comply with a System Management Services Adjustment Methodology approved by the Authority.~~

~~9.19.19 The licensee must have in place a System Management Services Adjustment Methodology statement that contains a complete and fully documented explanation of its System Management Services Adjustment Methodology.~~

~~9.19.20 The licensee may from time to time revise its System Management Services Adjustment Methodology in accordance with the requirements of Part F.~~

~~Part F: Procedure for revising the System Management Services Adjustment Methodology~~

~~9.19.21 Whenever the licensee first buys, sells, or acquires any Relevant System Management Service of a kind or under a mechanism that is not already covered by its System Management Services Adjustment Methodology, it must promptly seek to establish a revised methodology, approved by the Authority, which does cover that kind of service or that mechanism.~~

~~9.19.22 Before revising its System Management Services Adjustment Methodology, the licensee must:~~

- ~~(a) send a copy of its proposed revisions to the Authority and to any interested party who asks for a copy;~~
- ~~(b) consult Gas Shippers and DN Operators and allow them a period of not less than 28 days in which to make representations; and~~
- ~~(c) during the period of 7 days beginning with the date on which the consultation is completed, send to the Authority a report that sets out the revisions originally proposed, any representations received by the licensee that were not withdrawn, and any proposed changes to the original proposals.~~

~~9.19.23 The licensee must not revise its System Management Services Adjustment Methodology:~~

- ~~(a) during the period of 28 days beginning with the date on which the Authority receives the report set out in paragraph 9.19.22(c);~~
- ~~(b) if within that period the Authority directs the licensee not to make the revision; or~~
- ~~(c) before any day specified by the Authority in a derogation that the licensee applied for under Part J.~~

~~Part G: Part E: Availability of licensee's statements and reports~~

~~9.19.24~~9.18.17 The licensee must:

- (a) send to the Authority a copy of each statement, report, and revision required by this condition;

- (b) provide a copy of each statement, report or most recent revision to any person who asks for a copy and makes such a payment to the licensee as it may require (which must not exceed such amount as the Authority may from time to time approve for that purpose); and
- (c) publish, by such date and in such form and manner as the Authority may approve, each statement, report and revision.

~~Part H:~~Part F: Exclusion of certain matters

~~9.19.25~~9.18.18 In complying with the requirements of paragraphs ~~9.19.24~~18.17(b) and (c), the licensee must exclude, in so far as is reasonably practicable, any matter which relates to the affairs of a person where the publication of that matter would, or might, seriously and prejudicially affect their interests.

~~9.19.26~~9.18.19 Any question arising under paragraph ~~9.19.25~~18.18 as to whether the publication of some matter that relates to the affairs of a person would or might seriously and prejudicially affect their interests is to be determined by the Authority.

~~Part I:~~Part G: Retention of particulars and records

~~9.19.27~~9.18.20 The licensee must maintain for a period of seven years:

- (a) particulars of all System Management Services offered to it;
- (b) particulars of all contracts for System Management Services that it has entered into;
- (c) records of all System Management Services called for and provided; and
- (d) records of the quantities of gas transported through the NTS.

~~Part J:~~Part H: Derogations

~~9.19.28~~9.18.21 The licensee may apply to the Authority for a derogation relieving the licensee of any of its obligations under this condition.

~~Special Condition 9.20~~Special Condition 9.19 Independent market for balancing

Introduction

~~9.20.19~~9.19.1 The purpose of this licence condition is to modify the standard special conditions in their application for the purposes of this licence.

Part A: Modifications

~~9.20.29~~9.19.2 For the purposes of this licence Standard Special Condition A11 (Network Code and Uniform Network Code) is to be treated as including the following paragraphs after paragraph 22:

- (a) “22A. Where the network code makes provision for energy balancing by the licensee, as the energy balancing gas transporter, of the total system

through a market established by the operator of the independent market for balancing (as such terms are defined in Standard Special Condition A16 (Independence of the Independent Market for Balancing)) then the following paragraphs 22B, 22C and 22D shall apply.”

(b) “22B. The licensee must, in appointing any such operator as is mentioned in paragraph 22A, use all reasonable endeavours to appoint a person having:

- i. financial resources,
- ii. skilled and experienced personnel, and
- iii. systems

—adequate to ensure that the market is conducted in an orderly and proper

—manner according to clear and fair rules with a clearing function that enables

—the licensee and relevant shippers to offset any sale to any one participant in

—the market against any equivalent purchase from that or any other participant

—in the market.”

(c) “22C. The requirement in paragraph 22B will be treated as satisfied in respect of any appointment if the licensee appoints as operator of the independent market for balancing a person who, at the time of appointment, is:

- i. a person recognised by the Financial Conduct Authority under the Financial Services and Markets Act 2000 as an investment exchange; or
- ii. a person designated by the Authority for the purposes of that paragraph and if that designation has not expired or been revoked.”

(d) “22D. If a person appointed by the licensee in reliance on paragraph 22C ceases to be recognised as provided in sub-paragraph (a) or to be designated as provided in sub-paragraph (b) of that paragraph then the licensee must use all reasonable endeavours to terminate the appointment of that person and, if the licensee elects that the market operated by that person shall continue to be established, to appoint another person in place of the first person in accordance with paragraph 22B.”

~~Special Condition 9.21~~ Special Condition 9.20 Provision of information

Introduction

~~9.21.19.20.1~~ 9.20.1 The purpose of this condition is to set out the obligations of the licensee in respect of the publication of information on its website.

Part A: Licensee's obligations under this condition

~~9.21.29.20.2~~ The licensee must use reasonable endeavours to publish information on its website as soon as reasonably practicable and which will provide:

- (a) reports on the licensee's view on what the outlook will be for the coming summer and winter (as appropriate) for gas, which include forecast levels of demand, forecast levels of supply, information on the NTS and the overall security of supply position; and
- (b) Operational Data which will aim to reduce market uncertainty, increase transparency and give equal access for stakeholders to the information that is available.

~~Special Condition 9.22~~Special Condition 9.21 Implementing and maintaining the Demand Side Response Methodology

Introduction

~~9.22.1~~—This condition sets out the licensee's obligations to :

~~9.22.29.21.1~~ have in place and maintain the Demand Side Response Methodology for assessing and accepting Demand Side Response Offers;

~~Part A: Not used~~

~~Part B:Part A: Not used~~

~~Part C:Part A: The Demand Side Response Methodology~~

~~9.22.39.21.2~~ The licensee must have in place and maintain a Demand Side Response Methodology approved by the Authority.

~~9.22.49.21.3~~ The licensee must ensure that the Demand Side Response Methodology:

- (a) ensures that any party making a Demand Side Response Offer is a party to the Uniform Network Code or a gas consumer that is eligible to participate, in accordance with the Uniform Network Code;

~~Part D:Part A: Not used~~

~~Part E:Part A: Not used~~

~~Part F:Part A: Not used~~

- (b) promotes, and further facilitates, parties making Demand Side Response Offers to the licensee through open and transparent market-based arrangements , in accordance with the Uniform Network Code;
- (c) does not unduly preclude the emergence of commercial interruption arrangements;
- (d) minimises distortions and unintended consequences on existing market arrangements and the principle of parties balancing their own positions in the wholesale gas market; and

- (e) ensures that Demand Side Response is procured in a manner consistent with the licensee's duties under the Act and, in particular, the licensee's obligation to operate the pipeline system to which this licence relates in an efficient, economic and co-ordinated manner.

~~Part G:~~Part B: Revising the Demand Side Response Methodology

~~9.22.5~~9.21.4 The licensee must, at least once in every period of two Regulatory Years, review, and if appropriate revise, the Demand Side Response Methodology in consultation with interested parties.

~~9.22.6~~9.21.5 The consultation must allow a period of not less than 28 days in which interested parties can make representations to the licensee.

~~9.22.7~~9.21.6 During the period of 7 days beginning with the date of completion of the consultation, the licensee must send to the Authority:

- (a) a report on the outcome of the review;
- (b) a statement of any proposed revisions to the Demand Side Response Methodology that the licensee (having regard to the outcome of the review) reasonably considers would better achieve the Demand Side Response Methodology principles, as listed in paragraph 9.21.3; and
- (c) any written representations (including proposals for revising the statement that have not been accepted by the licensee) that were received from interested parties during the consultation process and have not been withdrawn.

~~9.22.8~~9.21.7 The Authority, within 28 days of receiving a report under paragraph 9.2221.6(a) and a statement under paragraph 9.2221.6(b), will:

- (a) approve any proposed revisions; or

~~Part H:~~Part A: Not used

- (b) reject any proposed revisions.

~~9.22.9~~9.21.8 In considering whether to approve the licensee's proposed revisions to the Demand Side Response Methodology, the Authority will have regard to whether they are consistent with the ~~objectives~~objectivesDemand Side Response Methodology principles in paragraph 9.2221.3.

~~Part I:~~Part A: Not used

~~Part J:~~Part A: Not used

~~Part K:~~ Not Used

~~9.22.10~~ Not used

~~Part L:~~Part C: Exception to compliance with condition

~~9.22.11~~9.21.9 The licensee may apply to the Authority for a derogation relieving the licensee of any of its obligations under this condition.

~~9.22.12~~9.21.10_____The Authority may, having consulted with the licensee and interested parties, direct that the licensee must temporarily or permanently cease operation of the Demand Side Response Methodology.