Draft Guidance

Draft guidance on the Special Licence Conditions for the LDES Cap and Floor regime

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This draft guidance explains the proposed special licence conditions for the Long Duration Electricity Storage (LDES) cap and floor regime, published alongside Ofgem's 21 July 2026 Call for Input.

The proposed conditions would be added to the electricity generation licences of LDES facilities awarded a cap and floor regime in the first application window.

This draft guidance is intended to support responses to the Call for Input. It explains the proposed licence requirements, how payments would be calculated, the obligations on licence holders, and how the regime is intended to protect consumers while supporting investment in LDES.

It should be read alongside the draft special licence conditions available at: LDES Special Licence Conditions (July 2026).

Contents

1. Introduction and how to use this guidance

1.1 This draft guidance explains the proposed special licence conditions for long duration electricity storage (LDES) facilities under the cap and floor regime. It is intended to help stakeholders understand those conditions.

1.2 It follows the structure of the draft special licence conditions and explains what each condition does, how the conditions work together, and the main calculations, reporting requirements, deadlines and processes.

1.3 This draft guidance is not a substitute for the proposed special licence conditions. If there is any inconsistency between this draft guidance and the proposed special licence conditions, the proposed special licence conditions take precedence. This reflects Special Condition 1, which provides that Regime Documents may help explain and administer the regime but cannot amend the licence.

1.4 This guidance is published in draft alongside Ofgem's Call for Input on the draft LDES special licence conditions. Ofgem has not reached final decisions on the special licence conditions or this draft guidance and may update both after considering stakeholder responses.

1.5 Several values in the draft special licence conditions are shown in square brackets or as placeholders (for example, a de minimis threshold of £[x]) and should not be treated as settled values. The exception is track-specific dates shown in italicised square brackets, which reflect settled policy positions.

1.6 Terminology used in this guidance follows the draft special licence conditions. “The Authority” means the Gas and Electricity Markets Authority acting under the Electricity Act 1989 (in practice, Ofgem). “The ESO” means the National Energy System Operator or its successor.

1.7 “The licensee” means the holder of the electricity generation licence to which these Special Conditions apply. “The Facility” or “Relevant LDES Facility” means the LDES facility named in the Facility Specific Parameters Register (FSPR) to which the regime applies. Capitalised terms have the meanings given in Special Condition 1 Part B or in the condition where they are defined.

2. How the licence is organised and what sits around it

The parts of the licence

2.1 The Special Conditions form part of an electricity generation licence and apply alongside the Standard Conditions of that licence. For LDES facilities subject to the cap and floor regime, there are 27 Special Conditions and three Schedules, supported by the Facility Specific Parameters Register (FSPR). Together, these set out how the LDES cap and floor regime operates.

2.2 Special Conditions 1 and 2 explain how the licence should be interpreted, when it applies and when it ends. Special Conditions 3 to 6 set out the core financial arrangements, including how cap and floor payments are calculated, how project revenues are assessed, and how payments are made between the licensee and the ESO.

2.3 Special Conditions 7 to 11 set out the main adjustment mechanisms, including post-construction adjustments, opex reassessments, cost overruns, non-controllable operational costs and within-period adjustments. Special Conditions 12 and 13 cover technical performance and the financial models used to administer the regime. Special Conditions 14 to 17 cover reporting, regulatory accounts and financial resilience requirements.

2.4 Special Conditions 18 to 22 cover operational and regulatory requirements, including market participation, reporting obligations, structured transactions and procurement. Special Conditions 23 to 27 cover decommissioning, the FSPR, the Delivery Plan, commissioning obligations, and restrictions on disposals and security over regime assets.

2.5 Schedule A sets out the process for projects that use non-recourse project finance to fund construction of their facility, including how their floor is calculated using the Actual Cost of Debt (ACOD) approach. Schedule B contains the Performance Test Protocol, and Schedule C governs co-location and behind-the-meter arrangements. The FSPR records the facility-specific parameters needed to apply these provisions.

Which document matters if two documents say different things

2.6 The licence includes rules for dealing with conflicts between documents. If there is a conflict between the Special Conditions and the Standard Conditions of the generation licence, the Special Conditions take precedence. Headings and introductory text are provided for ease of reference and do not override the licence provisions.

2.7 The licence also sets out a hierarchy for the supporting documents. The licence takes precedence over all other documents. The FSPR takes precedence over the RIGs and the financial models. Where necessary, the Authority may correct the RIGs or financial models so that they are consistent with the licence and the FSPR.

2.8 The FSPR and the financial models (LDES CFFM1 and LDES CFFM2) do not form part of the licence. A facility-specific parameter only has effect for licence purposes once it has been recorded in the FSPR. If there is a conflict between the licence and the financial models, the licence takes precedence.

2.9 There are two further exceptions. If Schedule C conflicts with a Special Condition, the Special Condition takes precedence. If Schedule A conflicts with the LDES Financial Model or Handbook, Schedule A takes precedence.

Table 1 The order of precedence between the regime documents

Rank	Instrument	Part of the licence?	How it is changed
1	Special Conditions (including Schedules A to C)	Yes – and they prevail over the Standard Conditions in conflict	Licence modification. An FSPR amendment is not, and must not be treated as, a licence modification
2	Facility Specific Parameters Register (FSPR)	No – but no parameter has effect until recorded in it	Authority direction under Special Condition 24; where an amendment is not expressly provided for, draft, consultation and at least 28 days for representations
3	RIGs (Regulatory Instructions and Guidance)	No	Authority direction under Special Condition 20, with the text, effective date and reasons published and at least 28 days for representations
4	Financial models (LDES CFFM1 and CFFM2) and Model Handbook	No – the licence prevails in any conflict	Special Condition 13 change control: Type 1 (parameters), Type 2 (manifest errors), Type 3 (structural, with notice, publication and at least 28 days for representations)

The supporting instruments

2.10 Four documents support the proposed operation of the regime. The Facility Specific Parameters Register (FSPR) is a register maintained by the Authority that records the facility-specific values used throughout the licence, such as dates, capacities, cost assumptions, sharing rates, thresholds and fee caps.

2.11 The LDES cap and floor Regulatory Instructions and Guidance (RIGs), issued under Special Condition 20, set out the information licensees must provide to the Authority, when it must be provided, and the format in which it must be submitted. The RIGs support the administration of the regime and may be updated from time to time by the Authority.

2.12 The LDES Cap and Floor Financial Models (CFFM1 and CFFM2) are Excel models published by the Authority. CFFM1 is used to determine key cap and floor parameters at regime award and, where applicable, at Financial Close and the Post-Construction Adjustment. CFFM2 is used during the regime to support ongoing calculations and is published alongside the Authority's Post-Construction Review decision.

3. The regime at a glance

What the cap and floor regime does

3.1 The cap and floor regime provides participating LDES facilities with a minimum level of revenue (the floor) and a maximum level of revenue (the cap) for a defined period. Each year, the project's Assessed Revenue is compared against its Cap Level and Floor Level.

3.2 If Assessed Revenue falls below the Floor Level, the ESO may make a payment to the licensee to cover the shortfall, provided the facility meets the relevant availability requirements. If Assessed Revenue exceeds the Cap Level, the licensee pays a share of the excess to the ESO and retains the remainder in line with the Sharing Rate. The licensee must notify the ESO of expected amounts for BSUoS purposes.

3.3 The regime includes annual settlements, periodic reconciliations and a final adjustment at the end of the regime. Together, these are designed to ensure that the licensee receives the outcome intended by the cap and floor calculations over the life of the regime, taking account of the time value of money.

The regime lifecycle

3.4 The regime follows a sequence of stages, from regime award and construction through to commissioning, operation and final reconciliation. When a project is awarded a cap and floor regime, the Special Conditions take effect on the Effective Licence Date. At that point, the Authority determines and records the project's preliminary cap and floor values in the FSPR.

3.5 The Cap Level applies from the Effective Licence Date. The Floor Level only applies once the facility has reached Full Commissioning. The period between these two points is known as the Cap Only Period. During this period, the facility remains subject to the cap, but no floor payments can be claimed or accrued.

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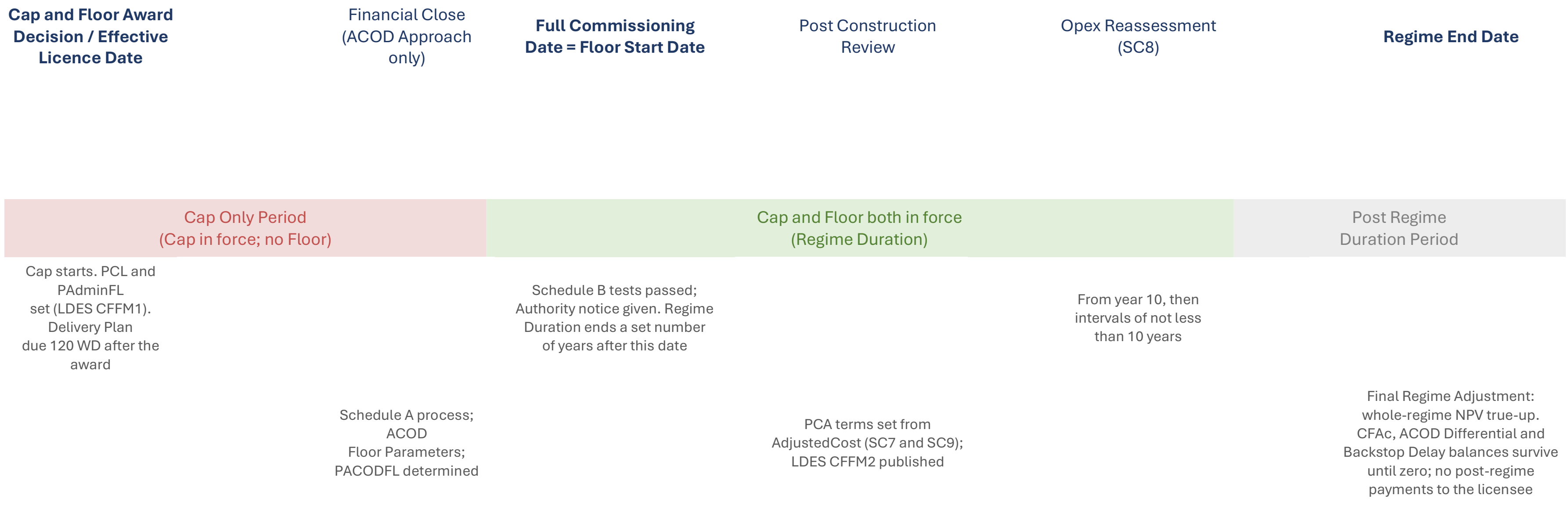
Figure 1 The regime lifecycle: key milestones and periods



Timeline figure showing the main LDES regime milestones from award decision to post-regime settlement.

3.6 During development and construction, the licensee must follow an approved Delivery Plan, provide regular progress updates, and use best endeavours to achieve Full Commissioning by the Target Delivery Date (Special Conditions 25 and 26). Projects using the Actual Cost of Debt (ACOD) approach must also complete the debt funding process set out in Schedule A, which is used to determine the project's Floor Level after Financial Close.

3.7 Special Condition 9 explains how delays, Force Majeure events and changes in construction costs are treated. It also governs changes to key delivery milestones, including the Target Delivery Date and Backstop Date.

3.8 Before a project can be treated as fully commissioned, it must successfully complete the commissioning tests set out in Schedule B. These include an endurance test to demonstrate that the facility can operate at its required output for the required duration. The Authority determines the Full Commissioning Date once it is satisfied that all commissioning requirements have been met (Schedule B and Special Condition 26).

3.9 The regime starts on the Effective Licence Date (Special Condition 2). From that date until the Full Commissioning Date, only the Cap Level applies (the cap-only period). This ensures that, where a facility earns revenues above the cap before full commissioning, a share of those revenues is returned to consumers (Special Conditions 2, 5 and 6).

3.10 The Full Commissioning Date marks the start of floor protection and the operational phase of the regime. From that date, both the Cap Level and Floor Level apply (the cap and floor period) (Special Condition 2). Delaying floor protection until the Full Commissioning Date ensures that the facility has successfully completed the commissioning and performance requirements set out in Schedule B before it can receive floor support. This helps ensure that consumers do not provide floor protection to facilities that have not yet demonstrated that they meet the required performance standards.

3.11 The regime ends 25 years after the Full Commissioning Date, as recorded in the FSPR (Special Condition 1 and Special Condition 2).

3.12 During operation, the licensee submits annual information on revenues, costs, availability and supporting evidence through the RIGs process. The Authority then carries out an Annual Assessment to determine whether cap or floor payments are due, taking account of the facility's availability performance (Special Conditions 5, 12 and 20).

3.13 Payments are settled under Special Condition 6, either annually or over longer assessment periods, depending on the approach recorded in the FSPR. In some cases, a Within-Period Adjustment may be available before the end of an assessment period (Special Condition 11).

3.14 Once construction costs are sufficiently certain, the Authority carries out a Post-Construction Review to update the cap and floor terms using assessed efficient project costs (Special Conditions 7 and 9). Any underspend against the assessed efficient cost is shared equally between the project and consumers, while overspends between the P50 and P90 cost scenarios may be reflected in the cap and floor.

3.15 Costs above P90 are generally not reflected, although the Authority may allow limited Force Majeure cost relief where the licence requirements are met. Delay is treated separately under Special Condition 9, including extensions to delivery dates and any applicable Backstop Delay Charge. From year 10 onwards, the Authority may review and update fixed operating cost assumptions through the Opex Reassessment process at intervals of at least 10 years (Special Condition 8).

3.16 At the end of the Regime Duration, the Authority carries out a final reconciliation of the regime and determines any Final Regime Adjustment that is required. Some balances may continue after the Regime End Date until they have been fully resolved, including the Conditional Floor Accrual Balance, the ACOD Differential and the Backstop Delay Repayment Balance, together with any associated distribution restrictions. However, no new payments become payable to the licensee under the regime after the Regime End Date (Special Condition 2).

The two floor approaches and two financing classifications

3.17 The licence provides two approaches for calculating the Floor Level. Under the Administrative Approach, the Floor Level is determined using financial assumptions set by the Authority in accordance with Special Condition 3.

3.18 Under the Actual Cost of Debt (ACOD) Approach, the Floor Level reflects the project's actual financing arrangements. Key financing parameters, including the cost of debt, gearing and debt service cover requirements, are determined through the competitive process set out in Schedule A and are subject to oversight and approval by the Authority.

3.19 The Administrative Approach applies by default. The ACOD Approach applies only where the required approvals have been obtained, the Authority has determined that it should apply, and that determination has been recorded in the FSPR (Schedule A and Special Condition 24).

3.20 Each facility is also classified in the FSPR as either a Balance Sheet project or a Project Finance project. In practice, Balance Sheet projects generally use the Administrative Approach, while Project Finance projects generally use the ACOD Approach. This classification affects how the Floor Level is determined, how availability shortfalls are treated, the discount rate used in assessments, and how often settlements take place (Special Conditions 5 and 6).

3.21 The most significant difference relates to floor support. If a Balance Sheet project fails to meet its Minimum Availability Target, it does not receive floor support for that year. A Project Finance project may still receive floor support, but the amount is recorded in the Conditional Floor Accrual Balance and must be repaid from future surpluses. The balance is capped at four times the applicable Floor Level (Special Condition 5).

3.22 The project classification also determines the Operational Discount Rate used in assessments and the default settlement approach applied under the licence (Special Conditions 5 and 6).

Who pays whom

3.23 All payments under the cap and floor regime flow between the licensee and the ESO. Where revenue falls below the Floor Level, the ESO pays support to the licensee. Where revenue exceeds the Cap Level, or where amounts such as the Conditional Floor Accrual Balance, ACOD Differential or Backstop Delay Repayment Balance must be repaid, payments flow from the licensee to the ESO. At each settlement, all amounts due in both directions are netted into a single payment (Special Condition 6).

3.24 The licensee must also give the ESO best-estimate forecasts of net cap and floor settlement amounts for each BSUoS Reporting Year (1 April to 31 March), so the ESO can reflect them in BSUoS arrangements (Special Condition 6).

4. Key concepts and building blocks

4.1 This section explains some of the key concepts used throughout the licence. Understanding these concepts will make the rest of the licence easier to follow.

Relevant Year, Partial Year and subscripts

4.2 The regime is administered in Relevant Years. A Relevant Year is normally a full Financial Year within the Regime Duration. The first and last Relevant Years may be shorter if the regime starts or ends part-way through a Financial Year.

4.3 These shorter periods are known as Partial Years. Special adjustment factors (PYC and PYF) are used to scale the Cap Level and Floor Level for Partial Years (Special Condition 3).

4.4 Many formulas in the licence use subscripts. For example, a subscript “t” refers to the Relevant Year being assessed, “t-1” refers to the previous Relevant Year, and ap refers to a Relevant Assessment Period.

Relevant Assessment Periods

4.5 A Relevant Assessment Period is one or more consecutive Relevant Years, as recorded in the FSPR. It is used when carrying out net present value (NPV) assessments and end-of-period settlements. A Relevant Partial Assessment Period is a shorter period within a multi-year Relevant Assessment Period. It is used only for Within-Period Adjustments under Special Condition 11.

Assessed Revenue and its components

4.6 Assessed Revenue (AR_t) is the measure used to determine whether a facility is above the cap or below the floor in each year. It is calculated by taking Gross Revenue (GR_t) and subtracting Market Related Costs (MRC_t), Non-Controllable Operational Costs (NCC_t) and any Income Adjusting Event (IAT_t). Gross Revenue includes all revenue earned from, or relating to, the facility, including revenue received on the facility's behalf by optimisers, contractors or Associates.

4.7 Mark Market Related Costs are costs directly linked to operating the facility in electricity markets. These include charging energy costs, market participation fees, Marginal Cycling Costs and Admitted Optimiser Fees. Non-Controllable Operational Costs are a limited category of unavoidable costs, such as business rates, certain licence and compliance fees, and specified network charges plus any categories the Authority designate (Special Condition 10).

4.8 The Income Adjusting Event adjustment allows the Authority to account for exceptional events outside the licensee's control where the licence requirements are met and the impact is not already addressed elsewhere in the regime (Special Conditions 4 and 10).

Excluded Costs

4.9 Excluded Costs are one of the regime's main consumer protection measures. These are costs that cannot be recovered through the cap and floor regime and are defined in Special Condition 1.

4.10 Examples include costs arising from fraud, misconduct, negligence or licence breaches; fines and penalties; costs that are not properly evidenced; costs that should have been recovered through insurance; non-arm's-length payments to Associates; costs that are not attributable to the facility; and costs that are not economic, efficient and effective.

4.11 Excluded Costs cannot be recovered through cap and floor payments. They cannot be included in revenue or cost calculations, or in the construction costs used to calculate the cap and floor at Post-Construction Review. The Excluded Costs framework is used throughout the licence to help ensure that consumers only fund costs that comply with the requirements of the regime.

The FSPR

4.12 The Facility Specific Parameters Register (FSPR) is the central record of the facility-specific values used throughout the licence. It records key information about the project, including its financing approach, key dates, cap and floor terms, cost assumptions, technical and availability parameters, fee caps, thresholds and Authority determinations (Special Condition 24).

4.13 A facility-specific value only takes effect once it has been recorded in the FSPR. The FSPR also records when a value takes effect and keeps a history of previous values. The FSPR can only be amended by the Authority, using the process set out in Special Condition 24.

Net present value neutrality and discounting

4.14 The settlement framework is designed to ensure that, over the life of the regime, the licensee receives the outcome intended by the cap and floor calculations, taking account of the time value of money.

4.15 To achieve this, the licence uses discounting to convert payments made at different points in time into a common value. The discount rate used depends on whether the facility is classified as a Project Finance facility or a Balance Sheet facility (Special Condition 5).

4.16 The licence applies year-specific Discount Factors (UF_t) and related adjustment factors when carrying balances between years. These ensure that assessments and settlements remain consistent over the life of the regime (Special Conditions 5 and 6).

4.17 Where a previous assessment or settlement needs to be corrected, a separate Administrative True-Up Rate (ATR) is used to calculate the associated time-value-of-money adjustment. The ATR is used only for administrative true-ups and not for the main cap and floor calculations (Special Condition 5).

Provisional values, accrual accounting and the once-only rule

4.18 The licence requires actual values to be used wherever possible. Where this is not possible, reasonable provisional estimates may be used, provided they are clearly identified and updated when better information becomes available. The Authority may revisit decisions that relied on materially inaccurate or insufficiently supported estimates (Special Condition 1).

4.19 The licence generally follows normal accounting principles and uses accrual accounting. Where accrual information is not yet available, other evidence, such as settlement data, invoices or contract information, may be used and reconciled later. Revenue and costs must be counted only once and allocated to the Relevant Year to which they relate (Special Condition 1).

4.20 All calculations are made excluding VAT and other recoverable indirect taxes. Corporation tax is not treated as a cost for the purposes of the regime (Special Condition 1).

Authority directions, determinations and time limits

4.21 The licence gives the Authority a range of decision-making powers, including the ability to issue directions, approvals, consents, derogations and designations. These decisions must be made in writing and may be subject to conditions, time limits, amendment or revocation where the licence allows (Special Condition 1).

4.22 Where a decision-making provision expressly allows for this, the applicable timetable may be affected by an outstanding request for information or extended by the Authority in accordance with the relevant Special Condition.

4.23 The licence includes anti-circumvention provisions to ensure that the regime operates as intended. Arrangements must not be structured, classified or reported in a way that avoids or undermines the requirements of the licence. Debt and equity must be classified according to their economic substance and the applicable accounting framework (Special Condition 1).

5. Guidance on each Special Condition

5.1 This section explains each Special Condition in turn. For each condition, it describes its purpose, how it operates, the key obligations it places on licensees, and how it interacts with other parts of the licence.

Special Condition 1 – Definitions and Interpretation

5.2 Special Condition 1 does two jobs – it provides the framework for interpreting and applying the licence. Part A contains the interpretation rules that apply throughout the Special Conditions, while Part B contains the definitions of capitalised terms. Terms defined in the Standard Conditions retain their Standard Condition meaning unless the Special Conditions provide otherwise. Where there is any conflict between the Special Conditions and Standard Conditions, the Special Conditions prevail.

5.3 Part A establishes the licence's core rules for using data and calculating values. Actual values must be used wherever available. Where actual values are not yet available, prudent provisional values may be used, provided they are clearly identified as provisional and updated when better information becomes available. The Authority may revisit determinations that relied on materially inaccurate, unsupported or biased provisional values.

5.4 The licence generally uses accrual accounting under the Applicable Accounting Framework. Revenues and costs must be recognised in the Relevant Year to which they relate, regardless of when cash is received or paid, and each revenue or cost item must be counted only once. All calculations are performed net of VAT and other recoverable indirect taxes. Corporation tax is not treated as a recoverable cost when calculating Assessed Revenue (AR_t).

5.5 Special Condition 1 also supports the regime's objective of maintaining net present value (NPV) neutrality over time. Amounts are discounted using the Discount Factor (UF_t), while administrative corrections and restatements use the ATR. Together with the settlement provisions in Special Conditions 5 and 6, these mechanisms help ensure that the timing of payments does not change the intended economic outcome.

5.6 The condition contains detailed rules for calculating the Optimiser Revenue Base (ORB_t). ORB_t is used where a facility employs an optimiser to market or trade part or all of its capacity. Where multiple optimiser contracts apply, where contracts only cover part of a Relevant Year, or where different contracts apply to different revenue streams, ORB_t is calculated separately and then aggregated.

5.7 Part B contains more than 200 defined terms. Many are straightforward drafting definitions, but several contain substantive policy choices that are important to understand how the regime operates.

5.8 The definition of Distribution is intentionally broad. It includes dividends, returns of capital, share buy-backs, payments on Shareholder Debt and other arrangements that transfer value to investors. It also captures payments to related parties that are economically equivalent to distributions, including above-market fees or charges. These provisions support the licence's ring-fencing and financial resilience arrangements.

5.9 The definition of Force Majeure is intentionally narrow. To qualify, an event must be outside the reasonable control of the licensee, unavoidable despite Good Industry Practice, and not attributable to the acts or omissions of the licensee or its contractors. Lack of funding never qualifies. Events identified on a facility's sub-P90 risk register qualify only where the Authority determines that they are exceptional and materially exceed the identified risk. Expected weather conditions, expected ground conditions and failures arising from defective design, construction, operation or maintenance are expressly excluded.

5.10 Several important regime parameters are defined in Special Condition 1. The Gearing Cap limits the proportion of project funding that can be treated as debt and defaults to 80%, unless the Authority directs and records a different value in the FSPR. The Minimum Duration defaults to eight hours, unless an alternative value is specified in the FSPR.

5.11 The Materiality Threshold is used when assessing whether an Income Adjusting Event (IAT_t) is sufficiently significant to justify an adjustment under the regime. The threshold is exceeded where the costs or savings arising from an event in a Relevant Year exceed 5% of a notional full-year Floor Level. Related events must be considered together for this assessment. Several other definitions have important consequences elsewhere in the licence, including Assessed Revenue (AR_t), Gross Revenue (GR_t), Market Related Costs (MRC_t), Non-Controllable Operational Costs (NCC_t), Conditional Floor Accrual Balance (CFAB), Backstop Delay Repayment Balance (BDRB) and ACOD Differential. These are explained in more detail in the relevant Special Conditions where they are applied.

Special Condition 2 – Application of these Special Conditions

5.12 Special Condition 2 sets the period during which the cap and floor regime applies. The Special Conditions take effect on the Effective Licence Date and remain in force for the Regime Duration, which starts on the Effective Licence Date and ends on the Regime End Date. Although the regime ends on the Regime End Date, some obligations continue beyond that date.

5.13 In particular, reconciliation, settlement and true-up processes that are expressly provided for in the licence continue after the Regime End Date where required. The Authority's monitoring, compliance and enforcement powers are unaffected by the end of the regime. Obligations to provide information, retain records and cooperate with audits also continue where they are needed for an investigation, reconciliation or settlement process.

5.14 The licence also recognises that some balances may remain outstanding when the Regime Duration ends. Three balances may therefore continue beyond the Regime End Date: The Conditional Floor Accrual Balance (CFAB), the ACOD Differential Balance, and the Backstop Delay Repayment Balance (BDRB).

5.15 The Conditional Floor Accrual Balance (CFAB) can arise where a Project Finance facility receives conditional floor support following an availability shortfall. The ACOD Differential Balance records certain differences arising from the Actual Cost of Debt (ACOD) arrangements. The Backstop Delay Repayment Balance (BDRB) records the amount that remain repayable following delay-related adjustments under the Backstop Date provisions.

5.16 Where any of these balances remain outstanding, the licensee must continue to track, report, settle and, where applicable, repay them under Special Condition 6 during the Post Regime Duration Period. Any associated restrictions on distributions also continue until the relevant balance has been repaid or irrevocably netted.

5.17 Importantly, the continuation of these mechanisms does not extend the cap and floor regime itself. No new amount becomes payable to the licensee under the regime after the Regime End Date. These provisions exist solely to complete reconciliations and recover outstanding amounts that arose during the Regime Duration. For these limited post-regime purposes, the licence treats references to a Relevant Year and the Floor Level as continuing to apply on a notional basis. This allows outstanding balances and adjustments to be calculated and settled consistently after the Regime End Date.

5.18 Special Condition 2 also determines when the cap and floor mechanisms begin to apply. The Cap Level takes effect from the Effective Licence Date. This means that, from the start of the regime, revenues above the Cap Level may give rise to payments from the licensee to the ESO for the benefit of consumers. The Floor Level takes effect later, on the Floor Start Date, which is the Full Commissioning Date. Floor support therefore becomes available only once the facility has successfully completed commissioning and met the relevant requirements in the licence.

5.19 The period between the Effective Licence Date and the Floor Start Date is known as the Cap Only Period. During this period, the project remains subject to the cap, but no floor payment, floor entitlement, Conditional Floor Accrual, or other floor-related calculation can arise. This reflects the policy that a facility must first demonstrate that it has been fully commissioned before it becomes eligible for consumer-funded floor protection.

Special Condition 3 – Cap Level and Floor Level

5.20 Special Condition 3 explains how the annual Cap Level (CL_t) and Floor Level (FL_t) are calculated. These are the benchmark values against which Assessed Revenue (AR_t) is compared under Special Condition 5 to determine whether a project receives a floor payment or makes a cap payment.

5.21 The Cap Level and Floor Level are built from the same broad components. Each starts with a preliminary level determined at the beginning of the regime, is adjusted where required through the Post-Construction Review (PCR) and Opex Reassessment (OR) processes and may include an allowance for decommissioning costs. The resulting values are then adjusted for inflation and, where applicable, for Partial Years.

5.22 The facility-specific values used in these calculations are recorded in the Facility Specific Parameters Register (FSPR). These values are generally recorded in real terms (Base Year Prices) and then converted into nominal values for the Relevant Year through the inflation adjustment mechanism.

The three formulas

5.23 The annual Cap Level (CL_t) is the maximum revenue level recognised by the regime for a Relevant Year. It is calculated using the Preliminary Cap Level (PCL), any Post-Construction Adjustment at Cap (PCAC), any Opex Reassessment Adjustment at Cap (ORAC), and any Decommissioning Cost Adjustment at Cap (DCC_t), adjusted for inflation and Partial Years. The Cap Level for Relevant Year t, expressed in nominal in-year prices, is:

- $CL_t = PYC_t \times (PCL + PCAC + ORAC + DCC_t) \times CPIH_t$

5.24 In practical terms:

- PCL is the Preliminary Cap Level determined at regime award.
- PCAC reflects changes made through the Post-Construction Review (Special Condition 7).
- ORAC reflects any approved Opex Reassessment adjustment (Special Condition 8).
- DCC_t reflects any approved decommissioning cost adjustment (Special Condition 23).
- PYC_t adjusts the Cap Level where only part of a Relevant Year is covered by the regime.
- $CPIH_t$ adjusts the value for inflation

5.25 The licence contains two alternative approaches for calculating the Floor Level:

- the Administrative Floor Level (Admin FL_t); and
- the Actual Cost of Debt Floor Level (ACOD FL_t).

The applicable approach is recorded in the FSPR.

5.26 Under the Administrative Approach, the Floor Level is based on financial assumptions determined by the Authority. The calculation uses the Preliminary Administrative Floor Level (PAdminFL) together with any Post-Construction and Opex Reassessment adjustments applicable to that approach.

5.27 Under the Actual Cost of Debt (ACOD) Approach, the Floor Level is based on financing terms established through the Schedule A debt funding process. The calculation uses the Preliminary ACOD Floor Level (PACODFL) together with the approved ACOD Floor Parameters, including financing assumptions determined at Financial Close and approved by the Authority. The Floor Levels for Relevant Year t, expressed in nominal in-year prices, are:

$$Admin\ FL_t = PYF_t \times (PAdminFL + PCAAF\text{-}Admin + ORAAF\text{-}Admin + DCF_t) \times CPIH_t$$

or

$$\mathrm{ACOD\ FL_t = PYF_t \times (PACODFL + PCAAF + ORAAF + DCF_t) \times CPIH_t}$$

5.28 In both approaches:

- PYF_t adjusts the Floor Level for Partial Years.
- The PCAAF terms represent Post-Construction Adjustments at Floor.
- The ORAAF terms represent Opex Reassessment Adjustments at Floor.
- DCF_t represents any Decommissioning Cost Adjustment at Floor.
- $CPIH_t$ applies inflation indexation.

5.29 The preliminary values established at the beginning of the regime provide the starting point for all subsequent calculations. These values may later be updated through the Post-Construction Review and Opex Reassessment processes to ensure that the Cap Level and Floor Level continue to reflect the licence framework and Authority determinations.

5.30 Unless and until the Authority directs otherwise, all adjustment terms are treated as having a value of zero. This allows the licence to continue operating while a review or assessment is ongoing and avoids delaying annual assessments and settlements pending a future determination.

5.31 The overall effect of Special Condition 3 is to ensure that both the Cap Level and Floor Level evolve over time to reflect inflation, approved cost adjustments and decommissioning obligations, while remaining based on parameters formally recorded in the FSPR and determined under the licence.

Table 2 The building blocks of the Cap Level and Floor Level formulas

Term	What it is	When and how it is set
PCL / PAdminFL	Preliminary Cap Level and Preliminary Administrative Floor Level (Base Year Prices)	Determined by the Authority at the Effective Licence Date using LDES CFFM1 and recorded in the FSPR

Term	What it is	When and how it is set
PACODFL	Preliminary ACOD Floor Level (Base Year Prices)	Determined by direction following Financial Close under Schedule A, where the ACOD Approach applies
PCAC / PCAAF-Admin / PCAAF	Post Construction Adjustment terms at Cap and at the applicable Floor	Directed at Post Construction Review under Special Condition 7; zero until directed; effective date not earlier than the Regime Start Date
ORAC / ORAAF-Admin / ORAAF	Opex Reassessment Adjustment terms	Directed under Special Condition 8; first effective date not earlier than 10 years from the Regime Start Date, then intervals of not less than 10 years; zero until directed
DCC_t / DCF_t	Decommissioning Cost Adjustments at Cap and Floor	Directed under Special Condition 23 Part C following a Decommissioning Change in Law; zero unless directed
$CPIH_t$	Inflation index term: UK $CPIH_t$ ÷ UK CPIH_Base	Outturn CPIH monthly averages for the Relevant Year over the Base Year average; no partial indexation unless expressly directed
PYC_t / PYF_t	Partial Year Cap and Floor Adjustment Factors	Equal to 1 in full years; days in force ÷ 365.25 in first and last years in force; PYF_t = 0 in any year wholly within the Cap Only Period

Preliminary terms (Part B)

5.32 At the Effective Licence Date, the Authority uses LDES CFFM1 to determine the Preliminary Cap Level (PCL) and Preliminary Administrative Floor Level (PAdminFL) and records them in the FSPR. These form the starting point for the annual Cap Level and Floor Level calculations under the regime.

5.33 The Administrative Approach applies by default. Under this approach, the Floor Level is based on financial assumptions determined by the Authority and reflected in the PAdminFL. The Administrative Approach continues to apply unless and until the FSPR records that the Actual Cost of Debt (ACOD) Approach applies. The ACOD Approach is available for projects that use non-recourse project finance and successfully complete the debt funding process in Schedule A. Where the required Authority Approvals have been obtained and the Authority determines that the ACOD Approach applies, that determination and its effective date are recorded in the FSPR.

5.34 Where the ACOD Approach applies, the Authority uses LDES CFFM1 and the approved ACOD Floor Parameters to determine the Preliminary ACOD Floor Level (PACODFL) following Financial Close. The PACODFL then becomes the starting point for future floor calculations.

5.35 Once established, the PCL, PAdminFL or PACODFL remain in place unless they are amended through the processes provided for elsewhere in the licence, such as the Post-Construction Review (PCR), or corrected to address a manifest error. Any revised value takes effect from the date recorded in the FSPR.

5.36 The Authority may also determine a Residual Value, which represents the expected value of the facility at the end of the Regime Duration. Unless the Authority directs otherwise, the Residual Value is treated as zero. Where a Residual Value is recorded, it is reflected in the calculation of the preliminary cap and floor terms and any subsequent recalculation of adjustment terms.

Adjustment terms (Parts C and D)

5.37 The Post-Construction Adjustment (PCA) terms adjust the preliminary cap and floor values to reflect the Authority's assessment of efficient project costs once construction costs are sufficiently certain. The relevant adjustment terms are PCAC for the Cap Level and PCAAF-Admin or PCAAF for the Floor Level, depending on the approach that applies (Special Conditions 7 and 9).

5.38 The PCA mechanism allows the cap and floor to move from the Authority's initial assumptions at regime award to the assessed efficient cost of developing, constructing, financing, operating and maintaining the facility. Any resulting adjustment applies from the date directed by the Authority and recorded in the FSPR.

5.39 The Opex Reassessment Adjustment (ORA) terms perform a similar function for operating costs. The relevant adjustment terms are ORAC for the Cap Level and ORAAF-Admin or ORAAF for the Floor Level, depending on the applicable financing approach (Special Condition 8). An Opex Reassessment cannot take place before year 10 of the regime and may only occur at intervals of at least 10 years thereafter. This allows operating cost assumptions to be updated where appropriate while maintaining long-term certainty for investors and consumers.

5.40 Decommissioning costs are treated separately through the Decommissioning Cost Adjustment terms: DCC_t for the Cap Level and DCF_t for the Floor Level (Special Condition 23). These adjustments are distinct from the PCA and ORA mechanisms and are applied only where the licence provides for them.

CPIH indexation (Part E)

5.41 The Cap Level (CL_t) and Floor Level (FL_t) are initially determined in Base Year Prices, meaning they are expressed in real terms rather than the prices expected to apply in future years. The $CPIH_t$ term converts those values into nominal values for the Relevant Year. $CPIH_t$ is calculated by comparing the average CPIH index for the Relevant Year with the average CPIH index for the corresponding period in the Base Year. This ensures that the Cap Level and Floor Level maintain their value in real terms over time.

5.42 For the first and last Relevant Years, only the months that fall within the Relevant Year are included in the calculation. For all other Relevant Years, the calculation uses the average CPIH index for the full twelve-month period.

5.43 The licence uses actual published CPIH data when calculating indexation. If CPIH ceases to be published, or is materially changed, the Authority may determine an alternative index and record that determination in the FSPR.

Partial Year factors (Part F)

5.44 The Partial Year Cap Adjustment Factor (PYC_t) and Partial Year Floor Adjustment Factor (PYF_t) ensure that the Cap Level and Floor Level are proportionate where they apply for only part of a Relevant Year. For a full Relevant Year, both PYC_t and PYF_t equal one. For a Partial Year, the factor is calculated by reference to the number of days for which the cap or floor is in force divided by 365.25.

5.45 The Cap Level comes into force on the Effective Licence Date, whereas the Floor Level comes into force on the Floor Start Date, which is the Full Commissioning Date. As a result, the cap and floor may apply for different periods within the same Relevant Year, which means that PYC_t and PYF_t may differ. Where a Relevant Year falls entirely within the Cap Only Period, PYF_t is zero because the Floor Level is not yet in force and no floor support can arise.

Interpretation (Part G)

5.46 The Cap Level and Floor Level can only be changed through the mechanisms expressly provided for in the licence. These include the Post-Construction Adjustment (PCA) mechanisms in Special Conditions 7 and 9, the Opex Reassessment Adjustment (ORA) mechanisms in Special Condition 8, and the Decommissioning Cost Adjustment (DCC_t and DCF_t) mechanisms in Special Condition 23. Any resulting values must be recorded in the FSPR before they take effect.

Special Condition 4 – Assessed Revenue and Revenue Netting

5.47 This Special Condition 4 explains how the licensee's annual revenue performance is measured. The key output is Assessed Revenue (AR_t), which is compared against the Cap Level (CL_t) and Floor Level (FL_t) under Special Condition 5 to determine whether cap or floor payments arise. Assessed Revenue is calculated as:

$$AR_t = GR_t - MRC_t - NCC_t - IAT_t$$

where:

- GR_t is Gross Revenue;
- MRC_t is Market Related Costs;
- NCC_t is Non-Controllable Operational Costs; and

1. IAT_t is the Income Adjusting Event term.

Assessed Revenue equals the facility's recognised revenues less the categories of costs and adjustments permitted by the licence.

5.48 All amounts are calculated in pounds sterling on a nominal basis for the Relevant Year. Calculations must follow the rules in Special Condition 1 and the RIGs, including the use of accrual accounting, the treatment of provisional values, subsequent true-ups, and the requirement that each revenue and cost item is counted only once.

5.49 The Income Adjusting Event term (IAT_t) is normally zero. It only applies where the Authority determines that an IAE has occurred, and an adjustment is required under Special Condition 10. Because IAT_t is deducted from Assessed Revenue, an allowance for additional costs reduces Assessed Revenue, while an adjustment reflecting cost savings increases Assessed Revenue.

Gross Revenue (Part B)

5.50 Gross Revenue (GR_t) is intentionally broad. It includes the total value earned by, or attributable to, the LDES facility and its Regulated Assets before any costs are deducted. Gross Revenue includes amounts received in cash or in kind. It also includes revenue earned by Associates, contractors and Optimisers where that revenue relates to the facility.

5.51 Examples of Gross Revenue include:

- wholesale electricity trading revenues, including forward, day-ahead, intraday, balancing mechanism and imbalance revenues;
- revenues from ancillary and system services, such as frequency response, reserve and other eligible services;
- Capacity Market revenues and other capacity or availability payments;
- compensation or other system payments specified by the Authority; and
- any additional revenue streams that the Authority determines should be included.

5.52 Where a facility is co-located or has behind-the-meter arrangements, only the proportion of revenue allocated to the LDES facility in accordance with Schedule C is included in Gross Revenue.

5.53 Special Condition 4 determines the revenue measure used throughout the cap and floor regime. Whether a project receives floor support, makes cap payments, accumulates a Conditional Floor Accrual Balance (CFAB), or triggers later settlement adjustments all depend on the level of Assessed Revenue (AR_t) calculated under this condition.

5.54 The condition is therefore one of the key consumer protection mechanisms in the licence. It sets out what revenues must be included, what costs may be deducted, and how those amounts are measured, helping to ensure that cap and floor payments reflect the facility's actual economic performance.

Market Related Costs and Optimiser Fees (Part C)

5.55 Market Related Costs (MRC_t) are the variable costs directly associated with operating the facility in electricity markets. They include charging energy costs, imbalance and settlement charges, market participation fees, Marginal Cycling Costs (MCC_t), Admitted Optimiser Fees (OF_t adm) and any other costs that the Authority determines should be treated as Market Related Costs.

5.56 The key principle is that MRC_t must vary with the operation of the facility. Costs linked to charging, discharging, trading or market participation may qualify. Fixed costs, such as routine staffing, corporate overheads and fixed maintenance costs, do not form part of MRC_t. All Market Related Costs must be properly evidenced, consistent with Good Industry Practice and comply with the licence. Costs that are treated as Excluded Costs cannot be recovered through MRC_t.

5.57 Where a facility uses an Optimiser, the licence requires revenues and costs to be reported transparently. All revenues attributable to the facility must be included in Gross Revenue (GR_t), regardless of whether they are received by the licensee, the Optimiser or another party. Optimiser Fees (OF_t) are treated as Market Related Costs and are deducted through MRC_t rather than through fixed operating costs, unless the Authority directs otherwise and records that decision in the FSPR.

Optimiser Fees

5.58 The Optimiser services must be procured in accordance with Special Condition 22. Optimiser remuneration calculated by reference to cap-and-floor settlement payments must be treated in accordance with the specific exclusion in Special Condition 4 or the definition of Excluded Costs.

5.59 The claimed Optimiser Fee (OF_t claim) must capture all forms of remuneration paid to, or retained by, the Optimiser. This includes invoiced fees, fees deducted from settlements, retained trading revenues, incentive payments and other performance-based remuneration. Any refunds, credits, penalties or clawbacks received from the Optimiser must be deducted from the claimed amount. Optimiser contracts must provide sufficient audit and information rights to allow the Authority to verify revenues, costs and transactions attributable to the facility. Where adequate information is not available, the Authority may determine alternative values and may disallow some or all claimed Optimiser Fees.

5.60 The licence limits the amount of Optimiser Fees that can be recovered through the regime. The cap is based on the Optimiser Revenue Base (ORB_t), which is intended to represent the revenue streams covered by the Optimiser arrangement. Different fee caps may apply depending on whether the Optimiser is independent or an Associate. The applicable percentages are recorded in the FSPR.

5.61 The Optimiser Revenue Base (ORB_t) broadly reflects the lower of:

- the revenues covered by the Optimiser arrangement; and
- the facility's eligible market, ancillary services and Capacity Market revenues,

excluding items such as VAT and payments made under Special Condition 6.

5.62 The amount that may be included in MRC_t is the lower of:

- the claimed Optimiser Fee (OF_t claim); and
- the Optimiser Fee cap (OF_t cap).

The licence refers to the resulting recoverable amount as the Admitted Optimiser Fee (OF_t adm).

5.63 Any Optimiser Fees above the admitted amount remain the responsibility of the licensee and do not reduce Assessed Revenue (AR_t). Any amount above OF_t adm is not included in MRC_t. The applicable percentage and ORB_t methodology may be changed only through the mechanism expressly provided by the licence.

Marginal Cycling Costs

5.64 Marginal Cycling Costs (MCC_t) are the additional costs that arise directly from charging and discharging the facility. Examples may include throughput-related wear and tear, variable maintenance costs and consumables associated with operating the facility.

5.65 MCC_t is calculated using the methodology specified by the Authority through the RIGs or by direction. The calculation is based on measured facility operation, including charging and discharging activity and, where relevant, Behind-the-Meter Transfers.

5.66 MCC_t cannot include costs that are already accounted for elsewhere in the regime. This includes energy purchase costs, fixed operating costs already reflected in opex allowances, replacement expenditure and any Excluded Costs.

5.67 The licence does not allow MCC_t to be used to recover long-term asset degradation, loss of capacity or replacement capital expenditure unless expressly provided for elsewhere. Licensees must retain sufficient evidence to demonstrate how MCC_t has been calculated and to show that costs have not been double counted.

5.68 Together, the MRC_t, Optimiser Fee and MCC_t provisions are intended to ensure that projects can recover legitimate market-facing operating costs, while protecting consumers from excessive, non-transparent or non-competitive charges.

Adjustments, the ACOD Differential, reporting and co-location (Parts D to I)

5.69 Parts D to I contain supporting provisions that sit alongside the calculation of Assessed Revenue (AR_t). These cover Non-Controllable Operational Costs (NCC_t), reporting requirements, co-location arrangements and the ACOD Differential mechanism.

5.70 Part D deals with Non-Controllable Operational Costs (NCC_t) and works alongside Special Condition 10. NCC_t covers a limited category of unavoidable costs that the licence allows projects to deduct when calculating Assessed Revenue.

5.71 The licence also contains rules on corrections and adjustments. Where settlement data is corrected after an assessment has taken place, the correction is allocated to the Relevant Year to which it relates and reflected in a later assessment. Excluded Costs cannot be included in GR_t, MRC_t or NCC_t. Where a facility is subject to co-location arrangements, only revenues and costs allocated to the LDES facility under Schedule C may be included in the cap and floor calculations.

ACOD Differential (Part F)

5.72 Part F applies only where the Actual Cost of Debt (ACOD) Approach is used. Under this approach, the ACOD Floor Level (ACOD FL_t) may be higher than the Administrative Floor Level (Admin FL_t), resulting in additional floor support being provided to the project.

$$ACODDiff_t = (ACODDiff_{t-1} * AF_t) + Support_t - Repay_t$$

Where:

- $ACODDiff_t$ means the closing ACOD Differential balance for Relevant Year t.
- $ACODDiff_{t-1}$ means the closing ACOD Differential balance for the prior Relevant Year. For the first Relevant Year in which the Floor Level is in force, $ACODDiff_{t-1}$ is zero.
- $AF_{t\ means}$ the ACOD Differential Accrual Factor for Relevant Year t.

5.73 The licence records this additional support in the ACOD Differential account. Broadly, it captures the difference between:

- the floor support calculated using the ACOD Floor Level; and
- the floor support that would have been received using the Administrative Floor Level.

Only positive differences are recorded.

5.74 The ACOD Differential is a notional tracking account rather than a settlement account. It records the additional support provided under the ACOD approach and applies time-value-of-money adjustments so that the balance remains consistent with the regime's NPV principles.

5.75 The ACOD Differential does not form part of Assessed Revenue (AR_t), Gross Revenue (GR_t) or the annual cap and floor calculations. Instead, it supports the ACOD Consumer Clawback mechanism under Special Condition 6.

5.76 Under that mechanism, the licensee must repay the ACOD Differential from future surplus revenues before making certain distributions associated with the facility. Amounts are only treated as repaid once they have been paid to the ESO or irrevocably netted through the settlement process.

5.77 The licensee must report the ACOD Differential balance each year, together with any additions, repayments and supporting calculations.

Information reporting and evidence (Part G)

5.78 Part G sets out the information that licensees must provide to support the annual cap and floor assessment process. This includes reporting on:

- Gross Revenue (GR_t) by revenue category;
- Market Related Costs (MRC_t), including charging costs, settlement charges, Marginal Cycling Costs (MCC_t) and Admitted Optimiser Fees (OF_t adm);
- Non-Controllable Operational Costs (NCC_t);
- allocations made under Schedule C; and
- compliance with relevant licence requirements.

5.79 The information submitted through the RIGs process must be supported by appropriate evidence, such as settlement data, invoices, reconciliations and procurement records.

5.80 The Authority may require independent verification of reported information where appropriate. The verifier must satisfy the independence requirements in the licence, including the applicable requirements concerning scope, evidence and verifier independence.

Gross Margin reporting (Part H)

5.81 Part H requires licensees to calculate and report Gross Margin (GM_t), which is:

$$GM_t = GR_t - MRC_t - NCC_t$$

5.82 This measure shows facility revenues after market-related and non-controllable operating costs have been deducted, but before any Income Adjusting Event (IAT_t) adjustment. Licensees must also provide additional breakdowns of Gross Margin in accordance with the RIGs, including information on revenue sources and market activities.

Co-location and behind-the-meter arrangements (Part I)

5.83 Part I works alongside Schedule C and applies where the LDES facility is co-located with other assets or operates under behind-the-meter arrangements.

5.84 These arrangements must include appropriate metering, attribution and reporting arrangements so that revenues, costs and energy flows can be correctly allocated between the LDES facility and any other asset. Only revenues and costs allocated to the LDES facility in accordance with Schedule C may be included in the cap and floor calculations.

5.85 Together, Parts D to I help ensure that revenues, costs, financing adjustments and co-location arrangements are treated consistently, transparently and in a way that protects consumers while allowing the regime to operate as intended.

Special Condition 5 – Cap and Floor Assessment

5.86 This condition compares a facility's Assessed Revenue with its Cap Level and Floor Level each year. It determines whether the facility is above the cap or below the floor and explains how availability performance affects floor support. It also shows how annual outcomes are combined into net present value (NPV) assessments over time. Settlement payments are determined separately under Special Condition 6.

5.87 Annual and periodic assessments are cumulative. If revenue or other values are later corrected, reallocated or restated, the Authority may revise previous assessments. Any resulting payment adjustments are made under Special Condition 6.

The annual comparison (Part A)

5.88 On the cap Each year, the Authority compares Assessed Revenue (AR_t) with the applicable Cap Level (CL_t) and Floor Level (FL_t). Where Assessed Revenue exceeds the Cap Level, a Revenue Excess at Cap is calculated:

$$REAC_t = \max(AR_t - CL_t, 0)$$

The cap-side outcome is then:

$$CapOutcome_t = (1 - \text{Sharing Rate}) \times REAC_t$$

5.89 The Sharing Rate determines how revenues above the Cap Level are shared between the licensee and consumers. The applicable Sharing Rate is recorded in the FSPR. Cap-side outcomes are used in settlement calculations under Special Condition 6.

5.90 On the floor side, the calculation uses $FloorAR_t$, which includes only revenues earned during periods when the Floor Level applies. This ensures that revenues outside the floor support period are excluded from the floor assessment.

5.91 Where assessed revenues fall below the applicable Floor Level, the difference may give rise to floor support. The licence provides separate calculations for the Administrative Floor and the ACOD Floor, but both operate on the same principle: support is based on the amount by which eligible revenues fall short of the relevant Floor Level. If the Floor Level does not apply, no floor support is available.

5.92 If information used in an assessment is later corrected, the Authority may recalculate the relevant annual outcome. Any resulting adjustments are reflected through the settlement arrangements in Special Condition 6. The timetable for annual assessments is set out in the RIGs.

Availability conditions and the Conditional Floor Accrual (Part B)

5.93 Part B links floor support to availability performance. It uses $FloorEAC_t$, which measures availability only during periods when the Floor Level applies. If $FloorEAC_t$ meets or exceeds the Minimum Availability Target (MAT_t), floor support operates normally. If it falls below MAT_t, the treatment depends on the facility's classification.

5.94 For facilities with a Balance Sheet Classification, no floor support is available in a year where the MAT is breached. For facilities with a Project Finance Classification, any floor support that would otherwise be available becomes a Conditional Floor Accrual ($CFAc_t$). This amount is tracked and may need to be repaid from future revenues earned above the Floor Level. The balance is calculated as:

$$CFAcBalance_t = (CFAcBalance_{t-1} \times BAF_t) + CFAc_t - CFAcApplied_t$$

where:

$$BAF_t = UF_{t-1} \div UF_t$$

5.95 The Conditional Floor Accrual Balance is a tracking mechanism only. It is not additional revenue and does not create a separate payment entitlement. Its purpose is to record amounts that may later need to be repaid under Special Condition 6.

5.96 Consumer exposure is limited through a cap on the Conditional Floor Accrual Balance. For a Project Finance facility that breaches the MAT, the maximum balance is four times the applicable Floor Level:

$$CFA\ Cap_t = 4 \times FL_t$$

Any additional support above this limit is not available.

5.97 Where the Conditional Floor Accrual Balance has already reached the cap, no further accrual can be added. Amounts above the cap are lost and cannot be claimed in later years. Licensees must report Conditional Floor Accrual amounts through the annual RIGs process.

Table 3 Floor eligibility where availability falls below the Minimum Availability Target

Situation	Balance Sheet Classification	Project Finance Classification
$FloorEAC_t \geq MAT_t$	Floor operates normally	Floor operates normally

Situation	Balance Sheet Classification	Project Finance Classification
$FloorEAC_t < MAT_t$	$FloorSupport_t$ is zero for that year – the support is lost	Floor support is still paid, but the amount becomes a Conditional Floor Accrual credited to a running balance, repayable from future surpluses
Limit on accrual	Not applicable – no balance arises	$CFA\ Cap_t = 4 \times FL_t$. Support in a breach year is limited to the headroom under the cap; where the rolled-forward balance already meets the cap, $FloorSupport_t$ and $CFAc_t$ are zero, and amounts forgone at the cap are permanently lost
Distribution effect	Not applicable	While the balance is positive, no Distribution referable to the Facility without prior written Authority consent (Special Condition 12 Part H)

5.98 Part B also defines Surplus Assessed Revenue (SAR_t), which is used when calculating repayments of outstanding consumer support balances:

$$SAR_t = \max(FloorAR_t - FL_t, 0)$$

5.99 Surplus Assessed Revenue may arise whenever revenues exceed the applicable Floor Level during a period when the Floor Level is in force.

Periodic assessment and the final outcome (Parts C and D)

5.100 For each Relevant Assessment Period, the Authority calculates an NPV outcome using annual cap and floor outcomes, any Conditional Floor Accrual repayments, any Within-Period Adjustments, and the applicable discount factors. This provides an overall cap and floor position for the assessment period.

5.101 The resulting NPV outcome is:

$$NPVOutcome_{ap} = FloorSupportN_{ap} - CapOutcomeN_{ap} - RepaymentN_{ap} + WPAN_{ap}$$

5.102 At the end of the Regime Duration, the Authority combines the NPV outcomes from all assessment periods to determine the FinalNPVOutcome. Where a new Facility Assessment is carried out under Special Condition 9, the Authority may adjust this outcome. The final value is then used under Special Condition 6 to determine any remaining settlement amount.

5.103 Unless the Authority directs otherwise, all NPV calculations under this condition are expressed in nominal pounds sterling using the valuation date specified in the licence.

Discounting (Part E)

5.104 Discounting converts annual cap and floor outcomes into a common net present value (NPV) basis so that outcomes arising in different years can be compared consistently.

5.105 For Project Finance facilities, the Operational Discount Rate (ODR) is based on SONIA and the debt margin agreed at Financial Close, unless the Authority directs otherwise. For Balance Sheet facilities, the Operational Discount Rate is determined using the methodology set out in the LDES Financial Model and Handbook.

5.106 The licence uses these discount rates to calculate a Discount Factor (UF_t), which converts amounts arising in different years onto a consistent NPV basis. This ensures that annual cap and floor outcomes can be aggregated fairly across the assessment period and the wider regime.

5.107 The Discount Factor compounds daily-weighted annual rates:

$$UF_{\mathrm{t}} = \prod_{y}[1 \div (1 + ODR_{\mathrm{Y}})^{DY_{\mathrm{Y}} \div 365.25}]$$

5.108 where DY_Y is the number of days in Relevant Year y. UF_t converts an amount treated as arising at the end of year t into a present value at the first day of the first Relevant Year.

Periods, cadence and the locked box (Part F)

5.109 The FSPR records the facility's assessment and settlement arrangement, including whether settlement occurs annually or only at the end of each Relevant Assessment Period. It also records whether Within Period Adjustments are available. Any Authority direction changing the cadence or assessment structure must be recorded in the FSPR before taking effect. Where a Delay Event affects the timing or duration of assessment periods, revised periods are determined under Special Condition 9.

5.110 Part F establishes the principle that each Relevant Year is assessed independently. Assessed Revenue, the Cap Level and the Floor Level are determined separately for each year, and annual cap and floor outcomes are calculated on that basis. Amounts may not be reallocated, averaged or transferred between years. Where corrections, restatements or true-ups arise, they must be attributed to the Relevant Year to which they relate and are given effect through settlement under Special Condition 6. The aggregation of annual outcomes occurs only through the assessment and settlement processes provided elsewhere in the licence.

Special Condition 6 – Adjustments to licensee revenue

5.111 This condition is the settlement mechanism for the cap and floor regime. It converts the cap and floor outcomes determined under Special Condition 5 into payments between the licensee and the ESO. Special Condition 5 determines entitlement, while this condition determines how and when payments are made. It operates in layers. Part A produces a single Annual Settlement Amount per year where annual settlement applies.

5.112 Part B provides for settlement at the end of each Relevant Assessment Period and for a final adjustment at the end of the regime. These settlements reconcile what has already been paid against the net present value outcomes determined under Special Condition 5. They do not create any additional cap or floor entitlement. Parts C to F cover the settlement methodology, consumer support repayment, and the Backstop Delay Charge; Part G covers BSUoS notifications; Part H covers payment mechanics, netting, interest and disputes.

5.113 Payments under this condition may arise through Annual Settlement Amounts, end-of-period settlements, the Final Regime Adjustment and any Within-Period Adjustments that the Authority directs to be settled in cash.

Annual settlement (Part A)

5.114 Where annual settlement applies, the Authority calculates an Annual Settlement Amount (ASA_t) using the cap and floor outcomes determined under Special Condition 5:

$$ASA_t = FloorSupport_t - CapOutcome_t$$

5.115 A positive Annual Settlement Amount results in a payment from the ESO to the licensee. A negative amount results in a payment from the licensee to the ESO. Whether annual settlement applies is determined by the settlement arrangements recorded in the FSPR. Where annual settlement does not apply, annual outcomes remain relevant and are considered through the periodic settlement process.

5.116 The ASA must reflect, as applicable, the cost pass-throughs and IAT embedded in Assessed Revenue, any decommissioning change amount directed for the year, and Partial Year adjustments; $RepaymentAvailable_t$ (see Part E) is settled and netted under Part H but is not part of ASA_t.

5.117 Annual Settlement Amounts may later be revised if an Annual Assessment is corrected or restated. Any resulting adjustment is reflected through a future settlement together with the applicable time value of money adjustment.

End-of-period settlement and the Final Regime Adjustment (Part B)

5.118 At the end of each Relevant Assessment Period, the Authority determines the net present value of amounts already settled in respect of that period. This includes annual settlements, any restatement adjustments, cash-settled Within Period Adjustments and any consumer support repayment amounts attributed to Relevant Years within the assessment period. Payments from the ESO to the licensee are treated as positive amounts and payments from the licensee to the ESO as negative amounts.

5.119 The Authority then compares the net present value of amounts already settled with the net present value outcome determined under Special Condition 5. The resulting end-of-period settlement amount is calculated as:

$$EOPSettlement_{\mathrm{ap}} = (NPVOutcome_{\mathrm{ap}} - NPVPaid_{\mathrm{ap}}) \div UFSettle_{\mathrm{ap}}$$

5.120 The purpose of the end-of-period settlement is to reconcile any difference between the required net present value outcome and the amounts already paid. A positive amount is payable by the ESO to the licensee and a negative amount is payable by the licensee to the ESO. It operates as a true-up mechanism and does not recalculate the underlying cap and floor entitlement.

5.121 A final reconciliation is undertaken at the end of the Regime Duration. The Authority determines the FinalNPVOutcome under Special Condition 5 and compares this with the net present value of amounts settled across the regime. The resulting Final Regime Adjustment is calculated as:

$$FinalRegimeAdjustment = (FinalNPVOutcome - NPVPaidFinal) \div UFFinal$$

5.122 The Final Regime Adjustment ensures that total payments made under the licence align with the final cap and floor outcome for the regime as a whole. Any amount due is settled as a single net payment in accordance with the timetable directed by the Authority.

Settlement methodology (Part C)

5.123 Part C requires the licensee to establish and maintain a Licensee Revenue Adjustment Methodology, in a form approved by the Authority. This methodology explains how settlement amounts under Special Condition 6 are calculated, reported and reconciled.

5.124 The methodology must cover all relevant settlement amounts, including Annual Settlement Amounts, end-of-period settlements, the Final Regime Adjustment, any Within-Period Adjustments directed to be settled in cash, repayment amounts, and any adjustments arising from corrections or restatements.

5.125 The methodology must also explain how key licence mechanics are applied in settlement. This includes discounting, attribution of amounts to the correct Relevant Year, partial-year adjustments, decommissioning adjustments, corrections and restatements, and any settlement timing directed by the Authority.

5.126 The licensee must apply the approved methodology when calculating settlement amounts and must keep it up to date in accordance with any Authority direction. Settlement notifications to the ESO must include enough supporting information to show how each amount has been calculated, reconciled and attributed, in the form and timescales specified in the RIGs.

Consumer support tracking and repayment (Parts D and E)

5.127 Parts D and E set out how consumer support provided through the regime is tracked and, where applicable, repaid. These provisions apply where the licence records an outstanding Conditional Floor Accrual Balance, ACOD Differential balance, or any associated Financial Safeguards or escrow arrangements directed by the Authority.

5.128 The licensee must maintain an Authority-approved methodology for calculating and reporting these balances. The methodology must explain how each balance is calculated, updated, reported and reconciled, including how amounts are shown on both a nominal basis and a net present value basis.

5.129 The Conditional Floor Accrual Balance tracks floor support that accrues for a Project Finance facility in a year where the facility fails to meet the Minimum Availability Target, subject to the cap set out in Special Condition 5. The ACOD Differential balance tracks any support associated with the difference between the ACOD Floor and the Administrative Floor, where the ACOD Floor applies.

5.130 These balances are tracking balances only. They are not receivables from the ESO or consumers, do not create an additional payment entitlement, and do not form part of Assessed Revenue, Gross Revenue or Licensee Revenue. Their purpose is to determine whether, and in what order, future repayments are required.

5.131 Where a facility has an outstanding consumer support balance and later earns Surplus Assessed Revenue, the licence requires that surplus to be applied towards repayment, subject to the detailed formulae in Part E. Surplus Assessed Revenue is the amount by which eligible revenues exceed the applicable Floor Level for the relevant period, as determined under Special Condition 5.

5.132 Repayments are applied in a prescribed order. Amounts are applied first to the outstanding Conditional Floor Accrual Balance and then to the outstanding ACOD Differential balance. This repayment priority protects consumers by ensuring that support provided in earlier or weaker performing years can be recovered before value is distributed to investors.

5.133 Any repayment amount determined under Part E must be paid to the ESO through the relevant settlement process. An outstanding balance is not reduced until the repayment amount has either been paid or has been irrevocably netted through the settlement arrangements under Part H.

5.134 Repayment amounts are not treated as Gross Revenue, Assessed Revenue, Licensee Revenue or Revenue Excess at Cap. They are separate repayment obligations and must be satisfied before any Equity Distribution is made.

5.135 Any part of a Conditional Floor Accrual Balance or ACOD Differential balance that is not repaid in a particular year carries forward. It remains subject to repayment in future years if the facility later earns sufficient Surplus Assessed Revenue.

5.136 The Authority determines, for settlement purposes, whether Surplus Assessed Revenue exists, the amount available for repayment, and the corresponding repayment amount due for each Relevant Year.

Backstop Delay Charge (Part F)

5.137 Part F sets out the Backstop Delay Charge. This applies only where the conditions specified in the licence are met. In particular, the FSPR must record a Backstop Delay Factor (BDF) greater than zero and the Authority must have determined that the facility's PCR Cost Baseline exceeds P50.

5.138 Where these conditions are met, the annual Backstop Delay Charge is calculated as a proportion of the floor support payable for that year:

$$BDC_{\mathrm{t}} = BDF \times FloorSupport_{\mathrm{t}}$$

5.139 The Backstop Delay Charge only arises in Relevant Years where $\text{FloorSupport}_{\text{t}}$ is positive. It does not reduce the floor support otherwise payable for that year and is not netted against that support. The licensee therefore continues to receive the full amount of floor support determined under Special Condition 5.

5.140 Instead, the charge is recorded in a Backstop Delay Repayment Balance. This balance represents an amount that may subsequently be repaid to consumers in accordance with the licence. Repayment of the Backstop Delay Repayment Balance occurs only where the facility subsequently earns revenues above the applicable Floor Level. Repayment is subject to the detailed formulae in the licence and only occurs after any repayment obligations relating to the Conditional Floor Accrual Balance and ACOD Differential balance have been satisfied.

5.141 This means the repayment hierarchy is applied in a prescribed order. Outstanding Conditional Floor Accrual Balances are addressed first, followed by ACOD Differential balances, and only then by any outstanding Backstop Delay Repayment Balance.

5.142 The licence is designed so that repayment of the Backstop Delay Charge cannot reduce the facility's retained revenue below the applicable Floor Level. This ensures that the repayment mechanism does not undermine the protection provided by the floor.

5.143 While a Backstop Delay Repayment Balance remains outstanding, the licensee is subject to restrictions on Distributions and Equity Distributions attributable to the facility, in accordance with the licence requirements.

5.144 The Backstop Delay Charge, the Backstop Delay Repayment Balance and any associated repayments operate separately from the normal cap-and-floor settlement framework. They are not treated as Gross Revenue, Assessed Revenue, Licensee Revenue or Revenue Excess at Cap.

5.145 Backstop Delay Charges and repayments are also excluded from the net present value reconciliation process used elsewhere in the regime. They therefore operate as a standalone mechanism for transferring value to consumers where the relevant delay conditions apply.

5.146 The Backstop Delay Repayment Balance, any Backstop Delay Charges and any repayments made against that balance must be reported in accordance with the licence and the RIGs. Any outstanding repayment obligation may continue after the Regime End Date until the balance has been repaid in accordance with the licence.

Table 4 The three tracked balances compared

Feature	Conditional Floor Accrual	ACOD Differential	Backstop Delay Repayment Balance
Arises when	A Project Finance facility receives floor support in a year where availability falls below the MAT (SC5 Part B)	ACOD-based floor support exceeds what the administrative floor would have produced (SC4 Part F)	Full Commissioning after the Backstop Date and PCR Cost Baseline above P50; charge is BDF × $FloorSupport_t$ (SC6 Part F, SC9 Part D)
Rolled forward	At $BAF_t = UF_{t-1} \div UF_t$ (NPV-neutral)	At $AF_t = UF_{t-1} \div UF_t$ (NPV-neutral)	At BAF_t (NPV-neutral)
Repaid from	Surplus above the Floor – first in priority	Surplus above the Floor – second in priority	Surplus remaining after the Part E repayments – third in priority
Limit	Balance capped at 4 × FL_t in breach years	No cap stated in the licence	The charge rate (BDF) is capped at 1.00
NPV neutrality	Within the NPV framework	Within the NPV framework	Treated separately from the NPV assessment and reconciliation framework, in accordance with Special Conditions 5 and 6.
Distribution lock-up	SC12 Part H: no Distribution referable to the Facility while positive, without consent	SC17 Part D: no Equity Distribution referable to the Facility until zero, without consent	SC6 Part F: no Distribution or Equity Distribution referable to the Facility while positive

Feature	Conditional Floor Accrual	ACOD Differential	Backstop Delay Repayment Balance
Survives Regime End Date	Yes, until zero; no payments to the licensee post-regime	Yes, until zero	Yes, until zero

BSUoS notifications (Part G)

5.147 To support BSUoS charging arrangements, the licensee must provide the ESO with estimates of the net amounts expected to be paid between the parties under the cap-and-floor regime. Estimates must be provided for both the current BSUoS Reporting Year and the following reporting year, in accordance with the timetable specified in the licence, the CUSC or any Authority direction.

5.148 The estimates must reflect the settlement arrangements applicable to the facility, including the settlement cadence recorded in the FSPR, and must be based on when payments are expected to occur. The estimates are derived from the cap and floor outcomes determined under Special Condition 5 and the settlement arrangements set out in this condition.

5.149 The licensee must keep these estimates under review and notify the ESO of any material changes. The Authority also receives annual confirmation of the values notified.

Payment mechanics, netting, interest and disputes (Part H)

5.150 Part H sets out how settlement amounts are paid, netted, adjusted and disputed. Its purpose is to ensure that all amounts due between the licensee and the ESO are settled efficiently through a single payment process.

5.151 At each settlement event, all amounts due between the licensee and the ESO are combined into a single net settlement amount. This may include:

- Annual Settlement Amounts;
- repayment amounts;
- restatement adjustments;
- end-of-period settlements;
- Final Regime Adjustments;
- cash-settled Within-Period Adjustments; and
- any applicable interest.

5.152 Where, after netting, an amount is due from one party to the other, payment must be made within the period specified by the Authority or, where no period has been specified, within the timescale set out in the licence. The Authority may align settlement timing with the ESO's BSUoS processes.

5.153 The licence includes procedures for correcting manifest errors in invoices, settlement statements and settlement calculations. Where an error is identified, the relevant party must notify it promptly and any resulting adjustment is reflected through a subsequent settlement event.

5.154 The licence also provides a formal dispute process. Disputes must be raised within the period specified in the licence and must be supported by appropriate information and evidence.

5.155 Unless otherwise directed, amounts that are not in dispute remain payable while the dispute is being resolved. Where the licence provides for it to do so, the Authority may determine the disputed amount.

5.156 Residual Value does not itself create a payment obligation under this condition. Instead, where applicable, it is reflected in the calculation of Cap Levels and Floor Levels under Special Condition 3 and therefore affects settlement outcomes only indirectly through those calculations.

Special Condition 7 – Post Construction Adjustments

5.157 The Post-Construction Adjustment (PCA) process updates the Cap Level and applicable Floor Level once construction costs are sufficiently certain. Its purpose is to ensure that the regime reflects the Authority's assessment of efficient outturn costs, rather than the cost estimates used when the project was awarded a cap and floor regime.

5.158 The PCA may increase or decrease the Cap Level and applicable Floor Level. The adjustment reflects the difference between:

- the Authority's cost assessment at regime award; and
- the Authority's assessment, following the Post-Construction Review (PCR), of the efficient costs of developing, constructing, operating, maintaining, financing and decommissioning the facility.

5.159 The resulting adjustments are the PCA Cap Adjustment (PCAC) and either the PCA Administrative Floor Adjustment (PCAAF-Admin) or PCA Actual Floor Adjustment (PCAAF), depending on the floor methodology applicable to the facility.

5.160 PCA values are determined using the LDES Cap and Floor Financial Model and take effect through updates recorded in the FSPR from the effective date directed by the Authority.

Submission and timing (Part A)

5.161 PCA process begins when the licensee submits proposed PCA values together with the supporting information required by the licence and the RIGs.

5.162 Unless the Authority agrees otherwise, the submission must be made at the earliest of:

- the point at which between 85% and 95% of development and construction expenditure has been committed and the licensee can demonstrate that the remaining scope, pricing and claims risks are not material;
- the Full Commissioning Date; or
- another date agreed in writing by the Authority.

5.163 The licensee may request an alternative submission date but must provide supporting evidence. Unless the Authority directs otherwise, the licensee remains responsible for risks associated with contingency allowances, unspent costs and future cost variations.

5.164 The licensee must provide at least six months' notice of its intention to submit a PCA application.

Review, tests and determination (Parts B and C)

5.165 The PCA submission must contain all information required by the licence, the RIGs and any applicable Authority guidance. Following receipt of a submission, the Authority reviews the information provided and may request additional information where necessary.

5.166 The Authority determines the PCA values by re-running the applicable financial model using the construction cost inputs required under the licence and comparing the resulting outputs with those used when the project was awarded the regime.

5.167 In simple terms, the PCA value represents the difference between the original financial model outputs and the outputs produced using the Authority's assessment of post-construction costs, calculated on a consistent basis.

5.168 In determining PCA values, the Authority assesses whether:

- costs are eligible under the licence;
- calculations have been prepared in accordance with the licence and financial model;
- relevant cost inputs are consistent with the licence cost assessment framework; and
- any limitations on cost recovery have been correctly applied.

5.169 The PCA assessment forms part of the wider cost assessment framework established elsewhere in the licence. In carrying out its review, the Authority applies the arrangements for Excluded Costs, cost baselines, pass-through treatment and any relevant Forecast to Complete reconciliation.

5.170 Where the Authority does not accept all or part of the proposed PCA values, it identifies the relevant costs or adjustments, explains its reasoning and determines the values it considers appropriate under the licence. The Authority then directs the final PCA values and their effective date in writing.

Effect (Parts D and E)

5.171 Directed PCA values are recorded in the FSPR alongside the cost values used, model governance records are updated (including creating or updating LDES CFFM2 where needed), and the values take effect through the Special Condition 3 formulas from the first Relevant Year specified. Payments or recoveries arising from PCA impacts are affected under Special Condition 6, with administrative true-ups and NPV reconciliation handled under Special Conditions 5 and 6.

5.172 The PCA process is separate from the licence arrangements for Opex Reassessment, decommissioning adjustments and other post-award review mechanisms. Those processes continue to operate in accordance with their own provisions.

5.173 Where a Residual Value has been determined under the licence, it is reflected through the financial model inputs and outputs used in the PCA process. It does not give rise to a separate adjustment outside the PCA framework.

Special Condition 8 – Opex Reassessment

5.174 Opex Reassessment is the periodic opportunity to update the fixed operating cost assumptions baked into the cap and floor after Post Construction Review. It produces the ORAC and ORAF terms (ORAAF-Admin or ORAAF depending on the recorded Financing Approach), each expressed in Base Year Prices (real) and applied through the Special Condition 3 formulas. It is forward looking only: it updates the levels from the directed effective date and does not retrospectively change PCR values.

5.175 Either the licensee or the Authority may initiate a reassessment. Timing is tightly constrained: the effective date of the first reassessment direction must not be earlier than the tenth anniversary of the Regime Start Date, each subsequent direction must be at least ten years after the previous one's effective date (the Authority may direct longer), and unless directed otherwise the effective date must be the first day of a Relevant Year.

5.176 Six months' written notice of intention to submit is required from the licensee; an Authority-initiated process starts with written notice and a timetable. The condition applies identically to both financing classifications.

5.177 A licensee submission must contain the proposed values in Base Year Prices; confirmation that they were calculated using the applicable LDES CFFM2 on FSPR-consistent inputs; and the supporting information the RIGs or the Authority specify, including procurement compliance evidence where applicable. Only fixed operating expenditure may be included: items varying with market participation belong in Market Related Costs, non-controllable items in Special Condition 10, and Excluded Costs and previously disallowed costs are barred.

5.178 The licensee must use LDES CFFM2 with the approved base year and FSPR parameters and comply with model governance for any structural changes, and the Authority may issue guidance on submission format, cost classification, evidence standards and assurance.

5.179 The review process mirrors Special Condition 7: a three-month completeness check, further information within one month of a request, a twelve-month determination window paused while requests are outstanding, and a two-limb test (eligible fixed opex only, excluding Excluded Costs; calculated using LDES CFFM2, in accordance with the licence, in Base Year Prices). Failing values attract identified deficiencies, alternative treatments and updated values. The Authority directs the values and effective dates in writing; until directed, each term is zero.

5.180 Directed values are recorded in the FSPR, take effect through the Special Condition 3 formulas from the specified first Relevant Year, and any resulting payments flow through Special Condition 6. The determination must take account of any Gearing Cap and financial resilience requirements, and where a non-zero Residual Value is approved, the calculation and reporting must be consistent with the residual value method in Special Condition 3.

Special Condition 9 – Delay, Force Majeure and Cost Overruns beyond P50 and P90

5.181 This condition manages late delivery and cost deviation from the P50, and P90 scenarios recorded in the FSPR. It governs how the regime treats construction delays, Force Majeure events and deviations from the P50 and P90 construction cost estimates recorded in the FSPR. It establishes the framework for determining which construction costs are recognised under the regime and provides the cost inputs used in the Post-Construction Adjustment process under Special Condition 7.

Notices, submissions and evidence (Part B)

5.182 The licence requires the licensee to notify the Authority of significant delivery and cost developments during construction. This includes delays to key project milestones, potential breaches of the P50 or P90 cost benchmarks, and any event that may qualify as Force Majeure.

5.183 Notifications must be supported by the information and evidence required by the licence and the RIGs. This enables the Authority to monitor project delivery and assess whether any relief or cost treatment may be available under the regime.

5.184 Where a licensee seeks relief for a Force Majeure event, it must notify the Authority promptly and provide evidence showing that:

- the event was beyond the licensee's reasonable control;

- the event affected project delivery; and
- the licensee acted in accordance with Good Industry Practice to avoid or mitigate its effects.

5.185 Failure to comply with the licence notification requirements may affect the availability of Force Majeure relief.

5.186 Force Majeure submissions must include evidence of the event, its impact on delivery, the mitigation measures taken by the licensee, and the extent to which any delay is attributable to the event. The Authority may request additional information or independent assurance before making a determination.

5.187 Where the Full Commissioning Date is forecast to occur after the Backstop Date, the licensee must provide additional information on the expected delay, its causes, any claimed Force Majeure impacts and any associated cost implications.

5.188 The licence also requires notification where Total Forecast Facility Costs are expected to exceed the P50 or P90 benchmarks. The licensee must provide updated cost forecasts, supporting evidence and details of the factors driving the increase.

5.189 As part of the Post-Construction Review, the licensee must provide evidence supporting its construction costs, including reconciliations to the P50 and P90 estimates, cost records, procurement evidence and information required to identify any Excluded Costs or Force Majeure claims.

Authority review and determination (Part C)

5.190 The Authority determines whether an event qualifies as Force Majeure and whether any resulting delay is attributable to that event. Any decision on whether costs are recognised under the regime is made separately through the Post-Construction Review process.

5.191 In reaching a determination, the Authority considers the evidence provided by the licensee, including the nature of the event, the extent of the delay, the steps taken to mitigate its impact and compliance with the licence requirements.

5.192 The Authority's determination may include an assessment of the period of delay attributable to the Force Majeure event for the purposes of any time-related relief available under the licence.

5.193 Before reaching a final determination, the Authority may provide the licensee with an opportunity to comment on its provisional views. Final determinations, together with any resulting changes to dates, cost values or other regime parameters, are recorded in the FSPR.

Delay and delivery dates, and the Backstop Delay Factor (Part D)

5.194 The Authority may revise dates recorded in the FSPR where necessary to give effect to the licence. Any revised dates apply from the effective date specified by the Authority.

5.195 Where a Delay Event is determined to be Force Majeure, the Authority may extend the Target Delivery Date and/or the Backstop Date. Any extension is limited to the period of delay attributable to the Force Majeure event and is subject to the requirements of the licence.

5.196 Where the Full Commissioning Date occurs after the Backstop Date and the relevant cost conditions are met, the Authority determines a Backstop Delay Factor (BDF). The Backstop Delay Factor increases with the length of delay, subject to the limits specified in the licence, and is recorded in the FSPR. BDF starts at 0.05 for the first period of three-months, increases by 0.05 for each further three-month period or part, and is capped at 1.00.

5.197 The Backstop Delay Factor is used to calculate the Backstop Delay Charge under Special Condition 6. The charge depends on the applicable BDF and the facility's Floor Support, rather than the amount of any construction cost overrun.

Construction cost outcomes at PCR (Part E)

5.198 As part of the Post-Construction Review, the Authority determines the PCR Cost Baseline. This represents the Authority's assessment of construction costs that:

- are supported by appropriate evidence;
- are not Excluded Costs; and
- have been assessed on the same scope and price basis as the P50 and P90 benchmarks recorded in the FSPR.

5.199 The licence allocates construction cost risk through a defined cost-sharing framework:

- underspends below P50 are shared between consumers and the licensee;
- costs between P50 and P90 are recognised in full; and
- costs above P90 are not recognised, except where admitted through the Force Majeure pass-through provisions.

5.200 Where a facility is delivered for less than the P50 cost estimate, consumers share in that benefit through a reduction in the costs recognised by the regime.

5.201 Construction costs between P50 and P90 are recognised in full for the purposes of the PCR Cost Baseline and the Post-Construction Adjustment process.

5.202 Construction costs above P90 are generally borne by the licensee. However, the Authority may allow a Force Majeure pass-through where:

- the licence requirements have been met;

- the costs are attributable to a qualifying Force Majeure event; and
- the Authority determines that those costs are economic, efficient and effective.

5.203 The resulting Adjusted Cost value is used when re-running the financial model under the Post-Construction Adjustment process in Special Condition 7.

5.204 The resulting PCA values, together with the key supporting cost calculations and cost determinations, are recorded in the FSPR and used in the subsequent calculation of Cap Levels and Floor Levels under Special Condition 3.

Table 5 Treatment of construction cost outcomes at Post Construction Review

Outturn vs recorded scenarios	Treatment
Below P50 (underspend)	Shared 50:50 with consumers: ConsumerUnderspendShare = 0.5 × (P50 – PCR Cost Baseline), deducted from AdjustedCost
Between P50 and P90	Passed through in full via the P50toP90 term
Above P90	Disallowed – excluded from AdjustedCost and not admitted for PCA purposes – except to the extent included in the Force Majeure pass-through
Force Majeure pass-through (FMPT)	Determined only at PCR, and only where the Authority has determined the event is Force Majeure, advance notice was complied with (or the failure accepted), cost attribution evidence was submitted, and the costs are economic, efficient, effective and attributable to the event. May cover costs above P90
Result	AdjustedCost = P50 + P50toP90 + FMPT – ConsumerUnderspendShare, used to rerun the model; each PCA term is the rerun output minus the award output

Reconciliation after PCR (Part F) and representations (Part G)

5.205 In some cases, the Post-Construction Review (PCR) may take place before all construction costs are finally known. Where this occurs, the Authority determines the PCR Cost Baseline using:

- construction costs incurred and evidenced up to the PCR cut-off date; and
- an evidenced Forecast to Complete for the remaining anticipated construction costs.

This allows the PCR to be completed without waiting for every remaining construction cost to be settled.

5.206 Where a Forecast to Complete is used, the PCR Cost Baseline reflects the Authority's assessment of both actual costs incurred and forecast costs expected to be incurred after the PCR submission date.

5.207 Once final construction costs are known, the licensee must provide an outturn reconciliation comparing:

- the PCR Cost Baseline used in the original PCR; and
- the final evidenced outturn construction costs.

The reconciliation must include supporting evidence and any information required by the licence, the RIGs or the Authority.

5.208 Using this information, the Authority determines a Final Outturn Cost Baseline and assesses whether the assumptions and forecasts used in the original PCR remain appropriate in light of the final construction outturn.

5.209 Where the Final Outturn Cost Baseline differs from the PCR Cost Baseline used in the original determination, the Authority may revise the relevant cost inputs and re-run the financial model used for the Post-Construction Adjustment process.

5.210 Following that reassessment, the Authority may direct revised PCA Cap Adjustments (PCAC) and revised PCA Administrative Floor Adjustments (PCAAF-Admin) or PCA Actual Floor Adjustments (PCAAF) under Special Condition 7.

5.211 Any resulting increase or decrease in entitlement under the cap and floor regime is given effect through the assessment and settlement arrangements in Special Conditions 5 and 6, including the application of any relevant time value of money adjustments required by the licence.

5.212 The reconciliation process is intended to ensure that the final PCA outcome reflects evidenced outturn construction costs rather than forecast construction costs where those forecasts subsequently prove to differ materially from the final position.

5.213 Matters previously determined by the Authority to be Excluded Costs are not reconsidered through the reconciliation process unless expressly provided for elsewhere in the licence.

5.214 Before making certain determinations under this condition, the Authority may provide the licensee with a draft decision, provisional view or draft direction and allow the licensee an opportunity to make written representations.

5.215 In considering any representations, the Authority may have regard to any additional evidence or clarification provided by the licensee. Following consideration of any representations received, the Authority issues its final determination in writing together with its reasons.

5.216 Any dates, cost values, adjustment values or other relevant regime parameters affected by the determination are recorded in the FSPR and take effect from the date specified by the Authority.

Special Condition 10 – Non-Controllable Operational Costs

5.217 This condition governs the NCC_t term in Assessed Revenue and the Income Adjusting Event mechanism. It does not change the Assessed Revenue formula; it defines what may be treated as NCC_t and how it is notified, evidenced, reviewed, determined and reconciled.

Scope: a closed list plus designations (Parts A and B)

5.218 A cost qualifies as NCC_t only if it falls within the closed list (or a designation), is incurred in relation to the Facility in the year, is evidenced, is not an Excluded Cost, and where applicable, exceeds the de minimis threshold.

5.219 The closed list has three categories: business rates payable in Great Britain in respect of the Facility; licence fees payable to the Authority and other unavoidable statutory licence or compliance fees; and Transmission Network Use of System charges, but only to the extent and in the proportion directed by the Authority and recorded in the FSPR, together with other regulated network charges specified in the RIGs.

5.220 NCC_t is reported net of rebates, refunds, compensation, dispute recoveries and credits relating to the same item and period (whenever received) and is limited to amounts actually incurred and evidenced – no betterment. Anything that is a Market Related Cost, or that varies with market participation such that it is properly an MRC, cannot be NCC; the Authority may determine classification.

5.221 There is a presumption that a cost varying materially with charging or discharging volumes is an MRC unless the Authority directs otherwise, and where a network charge includes a component materially driven by dispatch decisions, that component is MRC unless directed otherwise.

5.222 The Authority may designate additional categories or items by direction, but only where satisfied that the item is outside the licensee's reasonable control as to level and timing within the year, unavoidable under Good Industry Practice, not a Market Related Cost and not materially driven by operating decisions, and capable of clear evidencing, allocation and reporting.

5.223 Designations may carry conditions (caps, collars, allocation methods), must be recorded in the FSPR, and take effect prospectively from the direction date unless expressly directed otherwise.

5.224 Additional (designated) items are subject to a de minimis threshold, stated in the attached draft as £[x] per Relevant Year – a placeholder expressly noted as remaining subject to finalisation – or such other value as the Authority directs and records; the threshold applies separately per category and, where applicable, per item, and items below it are excluded entirely, including from reconciliation.

5.225 Where a cost straddles NCC and MRC, the licensee must allocate on a reasonable, evidence-based basis consistent with the FSPR and directions.

Notice, reporting and the anti-shifting duty (Part C)

5.226 The licensee must use reasonable endeavours to avoid, reduce and mitigate Non-Controllable Operational Costs, and must not procure, structure or manage arrangements to inflate them, shift costs into the category, or make costs appear to qualify.

5.227 The reporting timetable is as follows: an initial estimate of NCC_t within 20 Working Days of the start of each Relevant Year; updated estimates within 20 Working Days of each quarter end; and actual costs within three months of the end of the Relevant Year. Submissions must be provided in the form specified in the RIGs, together with supporting breakdowns and evidence. The Authority may direct different reporting dates through the RIGs.

5.228 A designation request must set out the proposed category, evidence that the cost is non-controllable, evidence that it is not an MRC, the expected cost level and key cost drivers, and the proposed method for measuring, allocating and reporting the cost.

Income Adjusting Events (Part D)

5.229 An Income Adjusting Event (IAE) is a safety valve for exceptional events. It is an event or circumstance that, in the Authority's opinion, is outside the licensee's reasonable control and was not reasonably provided for in setting the cap and floor; gives rise in the year to costs or savings exceeding the Materiality Threshold (five per cent of the notional full-year Floor Level, after insurance, third-party recoveries and tax effects); is not and cannot reasonably be treated under any other mechanism (MRC, NCC, PCA, ORA, decommissioning change in law, or Excluded Costs); and which the Authority determines should be reflected in Assessed Revenue through the IAT_t term.

5.230 The licensee must notify the Authority as soon as reasonably practicable and no later than three months after the end of the year in which the event occurs (unless a later date is agreed), describing the event, explaining why no other treatment applies, quantifying incremental costs or savings on a best-estimate basis, proposing an IAT_t value (positive for costs, negative for savings) with methodology, and enclosing evidence.

5.231 A cost or saving cannot appear in both NCC_t and IAT_t for the same year. The Authority may determine an IAE on notice or on its own initiative, having regard to the definition, whether the estimate is economic, efficient and effective, overlap with other mechanisms, and NPV neutrality; it determines IAT_t (positive, negative or zero) in writing. Until determined, IAT_t is zero, and it must not include Excluded Costs.

Determination, reconciliation and governance (Parts E to G)

5.232 For Assessed Revenue purposes, NCC_t is the amount determined under this condition; pending determination, the licensee may use a provisional NCC_t, subject to reconciliation. The Authority may review any reported item, request information (time limits suspend while requests are outstanding), and determine NCC_t on an economic, efficient and effective basis having regard to evidence, compliance, benchmarking and assurance; a determination replaces the licensee's reported value and must be written with reasons.

5.233 The Authority notifies completeness and determines NCC_t and IAT_t within six months of the completeness notification unless it directs longer. Differences between provisional or estimated and actual values are reconciled through Special Condition 6, with ATR time value from original payment date to settlement date applied per payment (or an NPV-neutral alternative the Authority directs); IAT_t cannot enter Assessed Revenue before determination, and post-settlement IAT determinations flow through Special Condition 6 as restatements allocated to the year concerned.

5.234 Where a newly designated category is expressly directed to apply to already-settled years, the Authority may direct an NPV-neutral reconciliation. The Authority may review NCC items and parameters at any time and, following review, update the network-charge items, caps, collars and allocation methods, or revoke or vary designations, recording directions in the FSPR.

Special Condition 11 – Within Period Adjustment

5.235 Where settlement happens only at the end of a multi-year Relevant Assessment Period, a facility could suffer a prolonged revenue shortfall (or enjoy a prolonged excess) with no cash movement for years. The Within Period Adjustment (WPA) is the interim correction: a discretionary, Authority-determined payment or recovery for a Relevant Partial Assessment Period – a contiguous run of whole Relevant Years inside an assessment period, ending at a year end.

5.236 A WPA may be determined only in respect of a partial period that does not include any year for which annual settlement applies, unless the Authority directs otherwise and records that in the FSPR. Special Condition 5 adds that a WPA may be determined only within a partial period falling within a five-year assessment period (or such other length as the FSPR records).

5.237 A WPA may be positive, where there is a material NPV shortfall below the applicable Floor over the partial period, or negative, where there is a material NPV excess above the Cap. The Authority may specify materiality and de minimis thresholds, request forms and evidence requirements by direction recorded in the FSPR and will not determine a WPA unless any applicable recorded threshold is met (unless it directs otherwise). Either side can start the process.

5.238 The Authority may initiate at any time after the end of a Relevant Year within an assessment period, by notice identifying the proposed partial period and required information.

5.239 The licensee may request a WPA for a partial period ending at a year end, no later than three months after that year end (or later if directed), no more than once in any Relevant Year, and must state in its Annual Cap and Floor RIGs Submission whether it has made or intends to make a request.

5.240 The Authority may require Assessed Revenue inputs and evidence, cap and floor inputs, discount factor inputs, and relevant NCC and IAT reporting.

5.241 Before determining, the Authority may issue a draft view (whether a WPA may be appropriate, the proposed period, proposed values and proposed amount), with twenty Working Days for written representations (or longer if specified). The Authority may then determine an amount, determine that no adjustment is appropriate, attach conditions, or reject a request, in writing with reasons.

5.242 The methodology is NPV-based over the partial period: the discounted sums of Assessed Revenue, Cap Level and Floor Level (ARN, CLN and FLN, each summed as the annual value times UF_t) generate the excess and shortfall measures:

$$Excess^{Cap} = \max(ARN - CLN, 0)$$

$$and\ \ Shortfall\text{^}Floor = max(FLN - ARN, 0)$$

5.243 A positive WPA must not exceed the shortfall; a negative WPA must not be less than minus the excess. Where the Floor is not in force in a year due to the MAT rules, that year is excluded from FLN.

5.244 Payment is affected under Special Condition 6 (including Part H netting), the Authority may direct settlement timing and true-ups on an NPV-neutral basis, and WPA payments are taken into account in the end-of-period settlement, so the assessment period remains NPV neutral.

5.245 A WPA is provisional: it does not amend AR_t, CL_t, FL_t, $CapOutcome_t$ or $FloorSupport_t$ for any year, is treated for NPV purposes as arising in the year it is paid or recovered (or as directed), and later corrections to its inputs flow through Special Condition 6 at the next settlement event with ATR time value.

5.246 All initiations, requests, draft views, determinations and settlements are reported in the annual submission, records must be retained, and the Authority may audit and require independent assurance.

Special Condition 12 – Technical Capability, Availability and Floor Eligibility

5.247 This condition ensures that facilities supported by the regime remain capable of operating as long-duration electricity storage throughout the Regime Duration. It establishes the technical capability requirements that facilities must maintain, how availability is measured, how floor eligibility is assessed, and the circumstances in which relief may be granted for certain events outside the licensee's control.

5.248 The condition also includes reporting requirements, restrictions applying to certain Project Finance facilities and provisions requiring the facility to continue operating as a genuine long-duration electricity storage asset.

Technical capability and capacity maintenance (Parts A and B)

5.249 The licensee must maintain the facility so that it continues to meet the technical requirements and Performance Tests set out in Schedule B. The facility must be planned, operated and maintained in accordance with Good Industry Practice, the FSPR and applicable industry Codes.

5.250 Throughout the Regime Duration, the facility must continue to demonstrate the technical characteristics on which it was awarded a cap and floor regime. Periodic Performance Tests are used to verify that the facility remains capable of delivering those characteristics in practice.

5.251 Failure to undertake required Performance Tests, or repeated failure to meet the required performance standards, may be considered by the Authority when considering compliance with the licence and eligibility for floor support.

5.252 Where testing or operational evidence indicates that the facility may no longer be capable of maintaining its required duration, energy capability or capacity, the Authority may require additional information, enhanced reporting, further testing or independent verification.

5.253 The licensee must notify the Authority of any material defect, degradation, outage or failure that could affect the facility's ability to satisfy the technical requirements of the licence.

5.254 During periods when the Floor Level applies, the facility must maintain at least its Minimum Duration and the rated import and export capacities specified in the licence and recorded in the FSPR.

5.255 The licensee may oversize, augment or otherwise enhance the facility beyond the minimum requirements of the licence. However, such arrangements must be documented and reported in accordance with the licence and the RIGs.

5.256 Expenditure associated with oversizing or augmentation is not automatically recoverable under the regime. Any associated cost is treated only through a cost or adjustment mechanism expressly provided for in the licence.

Availability measurement and verification (Part C)

5.257 EAC_t Availability is measured using the Equivalent Availability Calculation (EAC). The EAC assesses the extent to which the facility was capable of providing its proven capacity during the relevant assessment period.

5.258 The EAC compares the facility's available capacity against its Reference Capacity, which is the deliverable capacity demonstrated through Performance Testing and recorded in the FSPR.

5.259 The availability measure is intended to reflect the facility's actual operational capability rather than a theoretical or normalised value.

5.260 For facilities participating in the Balancing Mechanism, availability may be derived from operational parameters used in electricity system operation. For other facilities, availability may be determined using SCADA systems, telemetry data and other operational information specified in the FSPR.

5.261 The licence includes rules to ensure that capacity is counted as available only where it is genuinely capable of operating when required. The methodology also allows certain capacity reserved for eligible operational purposes to be recognised while preventing double counting or inclusion of unavailable capacity.

5.262 A facility is not treated as unavailable solely because it is fully charged or fully discharged, provided it remains capable of operating at its required capacity in the opposite direction and otherwise complies with the licence requirements.

5.263 The Authority may direct changes to the detailed availability methodology where necessary to reflect developments in industry systems, Codes or data requirements. Any approved methodology is recorded in the FSPR.

5.264 The licence also includes an energy-based cross-check comparing delivered energy volumes against the facility's expected energy capability. This cross-check does not itself determine floor eligibility but may be used by the Authority as part of its assessment and monitoring activities.

5.265 Certain periods affected by qualifying Force Majeure events or specified ESO or network company actions may be treated as available for the purposes of the availability calculation, subject to the conditions set out in the licence.

Minimum Availability Target and relief (Parts D and E)

5.266 Before the Regime Start Date, the Authority sets a Minimum Availability Target (MAT) for the facility and records it in the FSPR. The MAT represents the minimum annual availability level required for normal operation of the Floor Level provisions.

5.267 Special Condition 5 uses the facility's annual EAC and MAT to determine the treatment of floor support in each Relevant Year. Where annual availability meets or exceeds the MAT, floor support operates in the normal way.

5.268 Where availability falls below the MAT, the consequences depend on the facility's financing classification and the wider provisions of the licence. For example, a Balance Sheet facility may lose access to floor support for that year, whereas a Project Finance facility may instead be subject to the Conditional Floor Accrual arrangements described in Special Conditions 5 and 6.

5.269 A licensee may seek relief where reduced availability results from a qualifying Force Majeure event. The licensee must provide the evidence required by the licence and comply with the applicable notification requirements.

5.270 The licence also provides for Exceptional Event treatment in limited circumstances where reduced availability results from events outside the reasonable control of the licensee, but which do not qualify as Force Majeure.

5.271 The Authority determines whether Exceptional Event relief should be granted and, if so, how that relief should be reflected in the availability assessment. Any relief granted under the Force Majeure or Exceptional Event provisions is recorded in accordance with the licence and may affect the availability assessment used for floor eligibility.

Reporting, ESO System Events, lock-up and operating as LDES (Parts F to J)

5.272 The licensee must maintain records supporting availability calculations, outage classifications and any claims for Force Majeure or Exceptional Event relief. Annual reporting includes availability information, outage records and other operational information specified in the RIGs.

5.273 The Authority may require independent verification of availability data, operational records, performance testing results or other information relevant to compliance with this condition.

5.274 The licence also includes reporting requirements relating to transmission constraints, curtailment, balancing actions and specified ESO System Events. These requirements provide visibility of how the facility operates within the wider electricity system.

5.275 For facilities with a Project Finance Classification, restrictions may apply to Distributions and Equity Distributions while certain consumer support balances remain outstanding. These restrictions are intended to ensure that consumer support repayment obligations are satisfied before value is distributed from the project.

5.276 The condition also includes provisions governing partial-year assessments where only part of a Relevant Year falls within the regime or within the period during which the Floor Level applies.

5.277 Finally, the licence requires the facility to operate as a genuine long-duration electricity storage asset. The facility must not be routinely operated in a manner that is materially inconsistent with the long-duration capability on which it was assessed and awarded support under the regime.

5.278 In assessing compliance with this requirement, the Authority may consider operational data, Performance Test results, dispatch patterns, cycling behaviour and other relevant evidence.

5.279 Together with the reporting and monitoring requirements elsewhere in the licence, these provisions help ensure that facilities receiving support continue to provide the long-duration storage capability that underpins the objectives of the regime.

Special Condition 13 – Cap and Floor Financial Model Governance

5.280 This condition governs the two Authority-published Excel models that support the regime. LDES CFFM1 is published for use from the Effective Licence Date and at Financial Close, for determining the preliminary cap and floor terms (including the ACOD floor under Schedule A).

5.281 LDES CFFM2 is the intended operational model for the Regime Duration, published with the PCR decision and updated to reflect determinations and FSPR inputs; before it exists or where it is not specified, the Authority may by direction designate LDES CFFM1 or an interim version as the applicable model for a calculation or period, recorded in the FSPR. Any adjustment term not yet determined and recorded (PCA, ORA) is treated as zero and calculations proceed on that basis.

5.282 Importantly, the models are not part of the licence; the licence prevails in any conflict, and while the models are used for preliminary terms and PCR-stage determinations, the annual assessment and settlement calculations during operation are performed under the licence formulas and are not required to be run inside the model.

5.283 The Authority owns the baseline models, handbooks and reference cases, and maintains a master copy and change log per version. The licensee operates a Licensee Working Copy – matching the structure and logic of the Authority Model – entering inputs and project parameters, preparing submissions, keeping inputs consistent with the FSPR and RIGs, and never altering structure or logic except as permitted.

5.284 All determinations under the licence are made by reference to calculations run by the Authority on the Authority-approved model version; licensee model runs are indicative only. Each determination relying on a model must identify the Version Identifier used, which is conclusive for that determination subject only to the error-correction machinery and Special Condition 6. Where the same inputs are used, the working copy's outputs must match the Authority Model's, and mismatches must be notified with evidence.

5.285 Inputs must be traceable to the FSPR and directed parameter tables, expressed in Base Year real prices with CPIH uplift only where specified, and discounting inside the models uses UF_t, ODR_t and (where required) the ATR as defined in the licence.

5.286 Required inputs include the P50 and P90 scenarios and Facility Cost Ceiling; cost items and timing across the lifecycle; fixed and variable opex profiles; finance parameters including ACOD Floor Parameters where applicable; CPIH series and Partial Year factors; any directed NCC baselines; and other-directed parameters.

5.287 Required outputs include CL_t and FL_t per year with partial-year adjustments; candidate PCA and ORA values; decommissioning adjustment terms applied through the models; NPV and discount factor terms; settlement mapping tables; and, per year, $REAC_t$, $CapOutcome_t$ and the licensee's share of the excess ($REAC_t$ minus $CapOutcome_t$). The condition restates the hierarchy: licence text first, then FSPR, then RIGs, then the models, with the Authority able to direct corrections to maintain it.

5.288 Changes are classified into three types, and the Authority must classify every change; doubtful cases are Type 3, as is anything reasonably capable of changing any output for any input set other than by correcting a manifest error. Type 1 changes are parameter updates and data refreshes (FSPR values, CPIH, tax rates, ACOD parameters), which the licensee must implement accurately when the licence or a direction requires.

5.289 Type 2 changes are manifest error corrections not altering approved structure or policy; the licensee may request one with a described error, explanation, corrected model, impact analysis and (if requested) External Model Auditor assurance, and the Authority may approve after bilateral consultation or reclassify as Type 3.

5.290 Type 3 changes are structural modifications: the Authority must give notice (proposed effective date, modified files, reasons, at least 28 days for representations), publish the notice, consider representations, and then direct the modification, decide not to proceed, or repeat the process; directions state the modifications, effective date and transitional arrangements for in-flight submissions. Immaterial or trivial-impact manifest error modifications agreed with the licensee can proceed after bilateral consultation, still with a direction and published change log update.

5.291 The licensee must not implement Type 2 or Type 3 changes to its working copy without prior approval or an approved new version, must keep a change log, and must adopt each new approved version from its effective date and migrate inputs as instructed.

Table 6 Financial model change control at a glance

Change type	What it covers	Process
Type 1	Parameter updates and data refreshes: FSPR values, CPIH series, tax rates, ACOD parameters	Licensee implements accurately when the licence or a direction requires; no approval process
Type 2	Manifest error corrections that do not alter approved structure or policy	Licensee request with described error, corrected model and impact analysis (auditor assurance if requested); bilateral consultation; Authority approval, or reclassification as Type 3
Type 3	Structural modifications; any doubtful case; anything reasonably capable of changing any output for any input set other than manifest error correction	Authority notice with modified files, reasons and at least 28 days for representations, published; direction stating modifications, effective date and transitional arrangements

5.292 The Authority may appoint a single External Model Auditor across all facilities and require assurance on material Type 2 corrections, proposed Type 3 modifications, and submissions supporting award, Financial Close (ACOD), PCR, Opex Reassessment, decommissioning adjustments and other specified updates.

5.293 Assurance packs include the workbook with open calculation sheets, a change log against the prior version, a model map tracing outputs to inputs, an evidence index linking inputs to the FSPR and source documents, test results including Authority reference case runs, and auditor sign-off on conformity, traceability and reproducibility. Version registries, retention and access obligations apply.

5.294 On errors, the licensee must notify promptly, identify affected cells and outputs, assess impacts on levels, adjustment terms and settlements, and propose corrective action; the Authority classifies structural errors as Type 2 or Type 3, may direct remediation including recalculation and replacement of prior determinations (subject to legal limits), applies ATR true-ups for timing differences via Special Condition 6, and corrections must avoid double counting and preserve NPV neutrality so far as consistent with the licence and statute.

5.295 Two override powers close the loop: where the model produces an outcome inconsistent with the purpose or effect of the Special Conditions, the Authority may direct a reasoned, proportionate alternative treatment; and in making any determination, the Authority's determination prevails over model outputs, it may revise or override outputs and may review, revise, reject or replace any input, assumption or parameter, reasonably, proportionately and with reasons. Overrides made by direction or determination do not constitute a modification of the financial model.

5.296 Where the licence says a term is set by reference to a model, the model output is used provided it is the latest approved version, inputs match the FSPR and directions, and there is no conflict with the licence.

5.297 The licensee must use the applicable approved model and to its steps, mappings, templates and controls only to the extent consistent with the licence and FSPR, with inconsistencies notified and resolved by direction.

Special Condition 14 – Information, Reporting and Audit

5.298 This is the general information backbone of the regime. It requires the licensee to collect, maintain, submit and retain all information, records, model artefacts and supporting evidence reasonably required by the Authority to demonstrate compliance, enable determinations, and support audit, assurance and reconciliation.

5.299 Special Condition 14 applies alongside the process-specific information and reporting requirements in the other Special Conditions and the RIGs. Where another provision imposes a more specific requirement, both provisions must be applied in accordance with their terms.

5.300 The core duties are: keep complete, accurate and auditable records of all data, assumptions, calculations, models, versions and evidence used for cap and floor calculations, Assessed Revenue, availability and eligibility assessments, adjustments, true-ups, settlements and any Authority determination – sufficient to allow the Authority (or its appointee) to reproduce and verify each calculation; make every submission complete, accurate and internally consistent, and certified by a senior officer in the manner the Authority specifies; and provide, on request, information relating to operational data, telemetry, Code information and compliance with the Special Condition 12 information duties.

5.301 Where information provided is insufficient, or a material compliance issue may exist, the Authority may require further information, a corrective action plan, and enhanced or more frequent reporting for a specified period.

5.302 Where the licensee works with energy system data, it must use all reasonable endeavours to follow the Authority's Data Best Practice Guidance and must publish and maintain a digitalisation strategy and action plan (with current and archived versions on its website and updates notified), subject to legal, Code, security, confidentiality and personal data limits.

5.303 On audit, the Authority may audit, review or examine any information, record, calculation, model or submission; the licensee must provide access to records, models, systems and documentation, give reasonable assistance including access to knowledgeable personnel, and procure cooperation from Affiliates, Associates and contractors – which is why new and renewed material contracts relevant to the licence must include audit and data access provisions. The Authority may require independent verification where materiality, risk or inconsistency warrants it.

5.304 Records must be retained for at least the longest period required by the RIGs, Special Condition 15, and applicable law, plus any longer directed period.

5.305 Errors, omissions and inconsistencies must be notified promptly and corrected as directed; the Authority may require recalculation, replacement of determinations or administrative true-ups to preserve accuracy and NPV neutrality – but any restatement of settlement values, and any cash effect, is implemented only through Special Condition 6 and the model error process in Special Condition 13, and only to the extent the licence permits.

5.306 Confidential information is handled per applicable law, without preventing the Authority publishing determinations, summaries, or findings with appropriate redaction.

Special Condition 15 – Regulatory Accounts

5.307 The licensee must prepare Regulatory Accounts for the Regulated Business for each Relevant Year, on a basis reconcilable to its statutory accounts. The condition applies whether the Facility sits in a stand-alone vehicle or a wider group, and whether or not other activities occur at the site. The accounts must include, as a minimum, an income statement, balance sheet, cash flow statement, and notes covering accounting policies, the basis for allocating shared items, and material related-party transactions.

5.308 Where the licensee has other business, the Regulated Business must be presented as a separate segment showing the split of revenue, costs, assets and liabilities. The Authority may direct the form, detail and templates, or set them in the RIGs.

5.309 The licensee must keep, and where required procure access to, records sufficient to identify transactions and amounts attributable to the Regulated Business, including relevant transactions with Affiliates, Associates and Related Undertaking, for at least the Companies Act 2006 section 388 period or longer if directed.

5.310 Shared items must be allocated on a reasonable, evidence-based basis consistent with Schedule C, when applicable and Authority directions prevailing in conflict and the systems and records used must be consistent with those used for Assessed Revenue, Market Related Costs, Non-Controllable Operational Costs and Excluded Costs governance.

5.311 The accounts use the same Applicable Accounting Framework as the statutory accounts (EU-adopted IFRS, FRS 101 or FRS 102), on a year-to-year consistent basis except where the framework requires or the Authority approves a change.

5.312 The notes must include reconciliations between the Regulated Business income statement lines and the values reported in the annual cap and floor RIGs submission for Gross Revenue, Market Related Costs, Non-Controllable Operational Costs and Assessed Revenue (explaining material differences in classification, timing and scope), and between key Regulatory Accounts lines and the statutory accounts.

5.313 The statutory auditor must be engaged to provide the assurance or agreed procedures the Authority specifies – including reviewing whether the accounts comply with this condition and performing agreed procedures on shared-item allocation, related-party transactions and cross-subsidy and cost governance matters – with the report provided by the specified date. The accounts themselves are submitted in the form and by the date specified in the RIGs or a direction.

5.314 Finally, nothing in the Standard Conditions requires classification or reporting that would prevent compliance with the Special Conditions or the RIGs: where inconsistency arises, the Special Conditions and RIGs govern for cap and floor purposes, with a reconciliation explaining differences if required.

Special Condition 16 – Financial Safeguards

5.315 This condition ring-fences the Regulated Business within the licensee, to prevent unfair commercial advantage flowing to any other business of the licensee or any Affiliate, Associate or Related Undertaking, and to require clear separation of activities, information and accounts – including where the Facility is co-located.

5.316 Part A sets the general obligations: the Regulated Business must not be conducted so as to give any other business or related party an unfair commercial advantage, or so as to allow any of them to avoid or reduce compliance with the licence, law or Codes.

5.317 Part B requires structural separation: the Regulated Business must be identifiable and managed as a distinct business unit; separate records must identify its assets, liabilities, income and expenditure; where other business or co-located assets exist at the site, accounting records must distinguish clearly between them; decisions about the management, operation and financing of the Regulated Business must be taken in its interests and in compliance with the licence; and its assets, staff, systems and resources must not be used in ways that create cross-subsidy with other businesses or related parties, except on arm’s length terms permitted by the licence.

5.318 Where the Facility is co-located or behind the meter, metering, sub-metering, and allocation arrangements must be sufficient to support both the Special Condition 4 and Schedule C revenue and cost separation and the separate accounts.

5.319 Part C controls Non-Public Regulatory Information – information the licensee holds as part of the Regulated Business that may impact market prices, or receives from the Authority, the ESO or another public body under the licence, and that is not public.

5.320 It expressly includes information on cap and floor determinations, settlement and true-up amounts, BSUoS and funding forecasts supplied under the licence, anything the Authority identifies by direction, and any analysis, forecast, model output, summary or extract derived from, reflecting, or capable of being used to infer such information.

5.321 The licensee may use it only for the Regulated Business and licence and Code compliance, must not use it to give any other business or related party an unfair advantage in any market, and must notify the Authority as soon as reasonably practicable of any actual or suspected breach. Publicly available information, and information the Authority directs may be shared, are outside the restriction.

5.322 Parts D and E provide the compliance architecture. Within ninety days of the Effective Licence Date the licensee must have in place a Compliance Statement, approved by the Authority, describing the practices, procedures and systems ensuring compliance with Parts A to C and related safeguards, and explaining in particular how the Regulated Business is kept distinct, how separate accounts are kept, how staff and decision-making are managed, and how Non-Public Regulatory Information is controlled.

5.323 Revisions require Authority approval before taking effect, and the current statement must be published as the Authority specifies. A Compliance Report must be prepared and sent to the Authority at least annually (or as directed), describing compliance steps, material changes to the described systems, internal investigations or reviews, and remedial actions, accompanied by a certificate confirming accuracy, board approval by resolution, and a director's signature.

Special Condition 17 – Financial Resilience

5.324 This condition requires the licensee to stay financially able to deliver and operate the Facility and restricts leverage, so the financial structure remains compatible with the regime.

5.325 Part A requires the licensee at all times to have financial resources and arrangements sufficient to economically and efficiently develop, operate, maintain and decommission the Facility and run the Regulated Business, and to comply with the licence, law and Codes – including liquidity and debt service arrangements consistent with Good Industry Practice for comparable energy-infrastructure assets, and debt terms and covenants compatible with the regime.

5.326 Part B contains the Gearing Cap and debt restrictions. Gearing (Debt divided by Debt plus Equity, per the FSPR methodology) must not exceed the Gearing Cap – 0.8 by default. The licensee must not increase Debt, or amend or refinance existing Debt, where doing so would reasonably be expected to breach the cap.

5.327 Where the cap is breached solely by market movements (inflation, interest rates, exchange rates) or accounting changes rather than new borrowing, the licensee must notify and produce a remedial plan but may not incur further gearing-increasing Debt.

5.328 Save where the Authority agrees otherwise, Indebtedness may be incurred only for financing, refinancing, or hedging the Facility or related working capital and corporate purposes, on arm's length and normal commercial terms, consistent with this condition and the Special Condition 27 restrictions. Cross-default exposure to related-party defaults requires prior written Authority consent.

5.329 Shareholder Debt may be incurred, amended, refinanced or permitted to subsist only if it is Permitted Shareholder Debt (fully subordinated, unsecured, no scheduled cash payments while Senior Debt is outstanding without consent, no ratio-triggered default or acceleration mechanics, and with any payment treated as a Distribution) or with prior written consent; non-permitted Shareholder Debt counts as Debt for Gearing.

5.330 A general anti-avoidance rule prohibits arrangements whose main purpose is to avoid or reduce the Gearing Cap, including through trade credit, prepayments, structured transactions, intra-group arrangements, or fees.

5.331 Part C covers monitoring: continuous Gearing monitoring on the FSPR methodology; annual reporting in the Financial Resilience Report per the RIGs; notification within five Working Days of an actual or expected cap breach, and equally within five Working Days of any Senior Debt covenant breach, event of default or potential event of default, waiver, forbearance or reservation of rights, or threatened or actual enforcement step. Breach notifications must include the latest Gearing calculation, reasons, and immediate mitigations.

5.332 A remedial plan is due within thirty Working Days of a breach notification, setting out measures (equity injections, retained earnings, debt reduction, distribution or borrowing restrictions) and a reasonable timetable; the Authority may accept it, require modifications, or direct additional actions including temporary restrictions on distributions, borrowing or intra-group transfers.

5.333 While Gearing exceeds the cap or is expected to, no Distribution may be made without prior written consent, and the restriction lasts until the Authority confirms in writing that Gearing is at or below the cap and the remedial plan has been satisfactorily implemented.

5.334 The licensee must also maintain and submit a director-certified Financing Register showing, per instrument, the principal and undrawn commitments, maturity, ranking and security, its treatment as Senior Debt, Shareholder Debt or Equity with the basis, and any rights that could affect gearing or distributions (cash sweeps, payment blocks, step-ups, conversion features, intra-group set-off).

5.335 Part D applies where the ACOD Approach applies. While an ACOD Differential Balance is outstanding, the licensee must comply with the Equity Distribution restrictions specified, including any consent and anti-circumvention provisions.

5.336 Repayment of the balance comes solely from Surplus Assessed Revenue in years where Assessed Revenue exceeds the applicable Floor, identified and applied under Special Conditions 5 and 6. The prohibition applies even though the ACOD Floor was Authority-approved, even where repayment arises in a later year or period, and even where all other resilience requirements are met, and financing structures must not be arranged to circumvent it.

Special Condition 18 – Market Participation

5.337 The cap and floor regime is intended to support investment in long-duration electricity storage, not to replace participation in competitive electricity markets. This condition therefore requires the licensee to actively seek market revenues throughout the Regime Duration and to operate the facility in a way that delivers value to consumers while remaining consistent with Good Industry Practice and the requirements of the licence.

Market participation obligations (Part A)

5.338 The licensee must use reasonable endeavours to efficiently manage External Revenue attributable to the Facility, consistent with Good Industry Practice, the Facility's technical characteristics, and the requirements of the licence.

5.339 This includes participating in eligible electricity markets and services for which the Facility is qualified, maintaining market qualifications where technically and commercially feasible, and ensuring that the Facility is reasonably withheld from opportunities to earn revenue.

5.340 Depending on the characteristics of the Facility, this may include participation in energy markets, balancing services, ancillary services and capacity markets. Where the Facility does not participate, or participates only to a limited extent, in a market for which it is technically capable of participating, the licensee must be able to demonstrate to the Authority that its approach was reasonable in the circumstances.

5.341 The licence also requires the licensee to maintain appropriate operational, commercial, governance and market-access arrangements to support effective participation throughout the Regime Duration.

Price taking market participation (Part B)

5.342 Part B is the price-taking backstop: the Authority may direct participation in specified markets, products or arrangements, and the licensee must then submit price-taking bids or offers. Broadly, price-taking participation means making available capacity available to the market without seeking to exercise market power or artificially influence market prices. The detailed requirements for any such direction are set out in the licence.

5.343 Where a direction applies, the licensee must comply with it and must not adopt a purely notional or token approach to participation. Any concerns regarding consistency with legal obligations, industry Codes or other regulatory requirements must be raised with the Authority and supported by appropriate evidence.

System security and operational exceptions (Part C)

5.344 The licence recognises that circumstances may arise where normal market participation is incompatible with system security, safety or other legal obligations. Limited exceptions therefore apply where departures from the participation requirements are necessary to:

- comply with an ESO instruction;
- comply with a legal or regulatory requirement; or
- respond to an emergency or other unforeseeable event.

5.345 Any departure from the participation requirements must be proportionate, justified and notified in accordance with the licence.

Protection against manipulation (Part D)

5.346 The licence prohibits behaviour intended to distort the operation of the cap and floor regime. The licensee must not operate, schedule, trade, bid or report information in a way that is intended to:

- increase floor support;
- reduce cap-sharing obligations; or
- otherwise manipulate cap and floor outcomes.

5.347 Examples may include deliberately withholding capacity, creating artificial revenues or costs, misreporting information used in regime calculations or adopting trading strategies whose primary purpose is to influence cap and floor outcomes rather than respond to market conditions and system needs.

5.348 Where the Authority determines that reported revenues or costs do not reasonably reflect what a prudent and efficient operator facing the same constraints would have achieved, it may adjust the values used in the cap and floor calculations.

5.349 In doing so, the Authority assesses the Facility's performance against the standard of a prudent and efficient operator and may substitute notional values where necessary to address the identified distortion.

5.350 Any such adjustment must be proportionate, evidence-based and limited to the impact of the identified distortion. The Authority must explain its reasoning and record the relevant determination in accordance with the licence.

5.351 The Authority would not normally expect to intervene where the licensee can demonstrate that it has operated in accordance with documented governance and trading arrangements, Good Industry Practice and the operational characteristics of the Facility.

5.352 The licence and RIGs provide further information on the factors that may be considered when assessing compliance with this condition.

5.353 Any notional values substituted by the Authority are used solely for the purpose of applying the cap and floor regime. They do not alter the Facility's actual revenues or costs but may affect the cap and floor calculations and the resulting settlements under the licence.

Special Condition 19 – UK REMIT

5.354 This short condition requires all trading and optimisation for the Facility to be conducted in compliance with UK REMIT (the retained wholesale energy market integrity and transparency regime, including its enforcement regulations and Authority guidance), applicable Codes and market rules, and Good Industry Practice.

5.355 The licensee must maintain policies, controls and records proportionate to the scale and risk of its trading, sufficient to demonstrate compliance and manage conflicts of interest and provide the records and a compliance attestation on request or as the RIGs specify.

5.356 Material trading-conduct breaches affecting, or likely to affect, Gross Revenue or Assessed Revenue must be notified promptly. The Authority may audit compliance and direct proportionate remedial changes.

5.357 The condition applies in addition to the Special Condition 4 revenue provisions, the structured transaction and non-arm’s-length controls, and the information and audit provisions.

Special Condition 20 – RIGs

5.358 The RIGs are the Authority's primary vehicle for directing what information the licensee must collect and provide to administer the licence. Unless the Authority consents otherwise, the licensee must measure and record (or, where permitted, estimate) the Specified Information, provide it for the periods and within the timeframes the RIGs specify, and maintain systems, processes and procedures sufficient to do so.

5.359 Records for Specified Information must be arranged so it can be separately identified and reasonably attributed between the Facility's business and any other business of the licensee or an Associate, and retained: for development, construction and commissioning records, until six years after the Authority's Post Construction Review decision (or later per the RIGs); for all other records, until six years after the Final Regime Adjustment determination (or shorter per the RIGs).

5.360 The licensee must take all reasonable steps to check and validate completeness and reliability, and must confirm in writing, on or before each submission date, that in its opinion the information meets the RIGs standards.

5.361 The RIGs may cover: how information should be recorded and provided; standards for accuracy and reliability, which may differ depending on the type of information; timetables for developing systems; the appointment of auditors and any agreed review procedures; calculation methods; definitions; and when and how information must be submitted. The RIGs may also explain why each type of information is needed. They cannot require information beyond what the Authority is allowed to request under the licence's provision of information condition.

5.362 The Authority issues and amends the RIGs by direction, first sending to the licensee and publishing the text, the intended effective date, the reasons, and a representations period of at least 28 days, and it maintains a consolidated version on its website.

5.363 Where new or amended RIGs introduce a new category of Specified Information, or an existing category at greater detail, that the licensee has not previously collected, the licensee may provide estimates for the specified Relevant Years, derived from any appropriate available information. The licensee must at all times comply with the RIGs in force, but nothing requires it to provide anything it could not be compelled to produce in civil proceedings.

5.364 The Authority may, after consulting the licensee, grant written derogations – to a specified extent, for a specified period, subject to conditions – and may vary or revoke them after consultation.

Special Condition 21 – Structured Transactions

5.365 Structured Transactions are contracts, transactions or series of related transactions – physical or financial trades, internal hedges, options, swaps, tolling or optimisation agreements or similar – designed to, or reasonably capable of, shifting the timing, amount, allocation or recognition of revenues or costs for the Facility away from normal market practice for comparable unsupported entities (including moving revenues or costs between years), or transferring risk or value between the Facility and related parties or third parties on terms not clearly aligned with observable arm's length terms for comparable standalone trades.

5.366 Because such arrangements can distort the very measurements the regime depends on, this condition controls them.

5.367 The general restriction: the licensee must not, without the Authority's consent, enter into a Structured Transaction reasonably capable of materially affecting whether Assessed Revenue falls below the Floor or exceeds the Cap in any year, or the timing or amount of Special Condition 6 payments. Every Structured Transaction must have a clear commercial rationale consistent with Good Industry Practice and must not be designed to, or reasonably capable of, undermining the regime or its cost governance.

5.368 Nothing in the condition relaxes any other requirement on costs, non-arm's-length transactions or procurement. The licensee must have internal processes to identify Structured Transactions, and must maintain a Structured Transactions Register recording, for each one, the matters set out under Special Condition 20, kept up to date and retained (with supporting records) for at least the Specified Information period, and provided to the Authority per the RIGs or on reasonable request.

5.369 The Authority may by direction specify reporting thresholds, additional register fields, and classes of transaction that are always treated as Structured Transactions.

5.370 On review, the Authority may assess compliance and the impact on the revenue and cost measures, and may by written, reasoned direction (recorded in the FSPR where it affects cost or revenue parameters): treat all or part of the costs as Excluded Costs; replace them, for Special Condition 4 and 6 purposes, with notional arm's length values and timing; direct changes to accounting or allocation so the measures are not distorted; prohibit further transactions of a specified type without prior consent; and require changes to the licensee's identification and recording policies.

5.371 Where a Structured Transaction was entered into in breach, or extracts value from the Facility to consumers' detriment, the Authority may treat the associated costs or lost value as Excluded Costs and direct further FSPR or model adjustments.

Special Condition 22 – Procurement

5.372 Consumer exposure under the regime depends heavily on the licensee's costs, so this condition disciplines how the licensee buys works, goods and services whose costs feed the regime: costs feeding the Facility Cost Ceiling, PCR Cost Baseline, AdjustedCost or any PCA; costs treated as Non-Controllable Operational Costs; and Market Related Costs to the extent the FSPR subjects them to procurement and cost governance.

5.373 It works together with the Excluded Costs definition and the FSPR cost governance provisions: non-compliance may result in costs being treated as Excluded Costs or otherwise disallowed.

5.374 The general obligation is that all in-scope procurement – including modifications of existing agreements that add works, goods, or services – must be on terms designed to achieve economic, efficient, and effective outcomes.

5.375 The procurement principles (Part B) require, unless the Authority consents otherwise, processes that treat potential providers equally and without discrimination, are transparent and proportionate, and are consistent with Good Industry Practice.

5.376 Where the total forecast value of a contract or modification exceeds the Applicable Procurement Threshold recorded in the FSPR, the process must be designed to secure effective competition – open to all potential providers without artificially narrowing competition (reasonable objective selection criteria are permitted), with award decisions made on clear, transparent, objective criteria linked to the subject matter, supported by a scoring methodology made available in advance – and the licensee must run a competitive tender or, where that is not reasonably possible (for example, no effective competition for technical or legal reasons), apply documented benchmarking or other value-for-money tests consistent with the FSPR.

5.377 Resulting contracts must be on an arm's length basis and normal commercial terms. Total forecast value is calculated by aggregating related contracts, lots, call-offs, renewals, extensions and modifications for the same or related scope within the RIGs-specified period, counting all fixed and variable consideration, incentives, options, extensions, indexation, pass-through and minimum volume commitments on a prudent, expected-value basis.

5.378 Material modifications – material changes to scope, pricing structure or counterparty, or other RIGs-specified categories – are treated as new contracts.

5.379 On evidence (Part C), the licensee must maintain, and provide on request, a documented procurement strategy and, per contract or material modification, a description of what was procured, the route followed (tender or benchmarking), the evaluation and award criteria and selection basis, and key documents (requests for proposals, bids, evaluation records, contracts), provided per the RIGs or on reasonable request.

5.380 When assessing whether costs are economic, efficient and effective, and whether items are Excluded Costs, the Authority may have regard to compliance with this condition and the FSPR requirements; where it finds non-compliance, it may by direction treat all or part of the associated costs as Excluded Costs, or limit the amount taken into account in AdjustedCost, the PCR Cost Baseline, PCAs, ORAs, NCC or MRC, with the treatment recorded in the FSPR.

5.381 Part D allows written, FSPR-recorded derogations from any requirement, with conditions taking effect as licence conditions, where the Authority considers this appropriate having regard to proportionality and consumer interests.

Special Condition 23 – Decommissioning

5.382 This condition governs planning and funding for decommissioning, and adjustments where decommissioning law changes. It does not itself require physical decommissioning within the Regime Duration – its obligations are about planning, funding and reporting – and it does not change how decommissioning costs are treated in the cap and floor machinery or the general change-in-law treatment under Special Condition 10.

5.383 The Decommissioning Plan (Part A) must describe the expected decommissioning activities and site restoration to legal compliance at end of asset life; their timing and phasing; best-estimate costs in Base Year prices as used in the model; any expected post-regime operation and revenues; the allocation of total expected costs between the Regime Duration and any post-regime period; and a Decommissioning Fund Profile of the contributions per Relevant Year needed during the regime to meet the allowed share, taking account of expected investment returns and any post-regime asset life.

5.384 Updates are due to support the Authority's PCR determination and at least every five years from the Regime Start Date (or as directed), prepared having regard to legal requirements, Good Industry Practice, Authority comments, and any regime guidance.

5.385 The Decommissioning Fund (Part B) is a ring-fenced arrangement holding assets dedicated to the regime-attributed share of decommissioning costs recorded in the FSPR. Its assets must not be used as security, applied for any purpose other than Authority-approved economic, efficient, and effective decommissioning costs within the allowed share, or treated as or used for a Distribution.

5.386 The contribution profile is approved or directed by the Authority and recorded in the FSPR, and annual contributions must at least equal the profile in present value terms on reasonable, prudent return assumptions that do not increase expected consumer support (present value measured at the first day of the year using the FSPR discount rate and return assumption or as directed).

5.387 If the fund is materially below profile, the Authority may direct a remedial plan and extra reporting or assurance; distribution restrictions for shortfalls apply only where directed in writing. Surpluses may be directed toward repayment to the ESO or reductions in future allowed amounts.

5.388 The fund arrangements cannot be wound up, transferred or altered prejudicially without prior written consent, and withdrawals are permitted only for Approved Decommissioning Costs under the RIGs evidence and process requirements – any other withdrawal is an Excluded Cost.

5.389 A Decommissioning Change in Law (Part C) is a change in law, regulation, licence requirement, binding code or mandatory standard occurring after the Effective Licence Date that directly changes the scope, standard, timing or method of decommissioning obligations and could not reasonably have been foreseen at that date; it may occur before PCR and is assessed against the FSPR decommissioning assumptions at the time.

5.390 Where such a change materially increases or decreases the economic, efficient and effective cost of compliance relative to the PCR assumptions, the licensee must notify as soon as reasonably practicable, identifying the change and why it alters obligations, explaining why it was not foreseeable, quantifying best-estimate incremental costs or savings for the regime-allocated share, proposing DCC_t and DCF_t values and their period, and enclosing benchmarking or independent advice.

5.391 The Authority assesses against the definition, direct attribution, efficient estimation and the regime/post-regime allocation, and may by direction determine the value and time profile of DCC_t and DCF_t and the method of applying them through Special Condition 3 and the model, recording them in the FSPR; both terms are zero until directed.

5.392 A Decommissioning Change in Law may also be treated as an Income Adjusting Event, but the quantum of any decommissioning adjustment is determined under this Part and applied through DCC_t and DCF_t – and no cost or saving may enter NCC_t or IAT_t to the extent reflected through those terms or a model-based decommissioning adjustment.

5.393 Part D confirms the interaction with the cost machinery and requires annual reporting of the plan (or changes), the fund's opening and closing value, contributions, returns, withdrawals and their purposes, any shortfall or surplus, and any change-in-law notices and directions, with the Authority able to require independent assurance on any of it.

Special Condition 24 – Status of FSPR

5.394 This condition establishes what the FSPR is and how it changes. The FSPR does not form part of the licence: it is the register of facility-specific parameters, values, designations, and determinations made by the Authority under the licence for administering the regime.

5.395 5.396 References in the licence to the FSPR are to it as amended from time to time in accordance with the licence, and where the licence requires a parameter, value, designation or determination to be recorded in the FSPR it takes effect in accordance with the relevant Special Condition and the effective date recorded in the FSPR. The FSPR may be amended only by Authority direction.

5.396 Where a Special Condition or Schedule expressly provides for a parameter to be set, revised or updated in the FSPR, the Authority may amend by direction taking effect on written notice.

5.397 Where an amendment is not expressly provided for, the Authority must first publish a draft, consult the licensee and other appropriate persons, and consider representations over not less than 28 days; such amendments must be reasoned, proportionate and consistent with the licence’s purposes.

5.398 An FSPR amendment is not, and must not be treated as, a licence modification, and one amendment does not preclude later amendment of the same or a related parameter.

Special Condition 25 – Delivery Plan

5.399 The Delivery Plan is the approved roadmap for developing, financing, constructing, testing, and commissioning the Facility through to Full Commissioning and commercial operation. It provides the Authority with visibility of how the project is expected to progress and forms an important part of the licence's delivery monitoring framework.

5.400 The Delivery Plan must include the key activities, milestones, and dependencies necessary to deliver the Facility. Depending on the project, this may include financing and connection milestones, Final Investment Decision, procurement activities, construction, testing, commissioning and entry into commercial operation.

5.401 The licensee must submit a Delivery Plan within the period specified in the licence, obtain Authority approval and comply with the approved plan. Following submission, the Authority reviews the proposed Delivery Plan and may request clarification, supporting evidence or further information where necessary.

5.402 The Authority may:

- approve the Delivery Plan;
- approve the Delivery Plan subject to conditions; or
- require a revised Delivery Plan where additional information or changes are required.

5.403 Where the Authority does not approve a proposed Delivery Plan, it will explain its reasons and the licensee must submit a revised plan in accordance with the licence requirements. The licensee must keep the Delivery Plan under review throughout the development and construction of the Facility.

5.404 Where material changes occur, or are likely to occur, the licensee must notify the Authority and submit any required revisions for approval. The licensee must also provide the progress updates, risk information and delivery monitoring information required by the licence and the RIGs.

5.405 Where material deviations from the approved Delivery Plan occur, the Authority may assess whether the project remains on track to deliver the Facility in accordance with the licence.

5.406 Where appropriate, the Authority may require a recovery plan. This would normally explain:

- the reasons for the deviation;
- the actions being taken to address it;
- any revised delivery timetable; and
- the key remaining delivery risks.

5.407 The Authority may determine that certain milestones, dates or other delivery parameters contained in the approved Delivery Plan should be recorded in the Facility Specific Parameters Register (FSPR).

5.408 Once recorded in the FSPR, those parameters become part of the licence framework used for monitoring delivery and compliance. The Authority may amend or remove such parameters where permitted by the licence.

Special Condition 26 – Obligation to achieve the Full Commissioning Date

5.409 This condition establishes the licensee's obligation to deliver the Facility and achieve the Full Commissioning Date. It requires the licensee to finance, develop, construct, test and commission the Facility, to use best endeavours to achieve the Full Commissioning Date by the Target Delivery Date, and to manage the project in accordance with Good Industry Practice.

5.410 Throughout development and construction, the licensee must provide regular progress updates to the Authority. These updates enable the Authority to monitor delivery progress, key risks, forecast expenditure, financing arrangements and any issues that could affect the achievement of the Full Commissioning Date.

5.411 The licence contains specific notification requirements where delays are expected or occur. These work alongside the delay, Force Majeure and cost assessment framework established under Special Condition 9.

5.412 Where the licensee becomes aware that it is reasonably likely to miss the Target Delivery Date, or subsequently fails to achieve it, the licensee must notify the Authority and explain the reasons for the delay, the actions being taken to mitigate it, the expected impact on delivery and any implications for related parties, project financing or construction activities.

5.413 These notification requirements support the Authority's oversight of project delivery and provide the information needed to assess any associated requests for relief or extensions under the licence.

5.414 The Full Commissioning Date is achieved through a formal approval process set out in the licence. When the licensee considers that all Full Commissioning Requirements have been satisfied, it must submit a Full Commissioning Notice together with the evidence required by the licence. This includes evidence that the Facility has successfully completed the required testing programme and is capable of operating in accordance with the technical, operational and safety requirements of the regime.

5.415 The Authority may request additional information, clarification, demonstrations or site access before reaching a decision. The Full Commissioning Date only takes effect once the Authority confirms, through the process specified in the licence, that the relevant requirements have been satisfied.

5.416 Where the Authority is not satisfied that the Full Commissioning Requirements have been met, it will explain the outstanding issues and the licensee must take the necessary remedial actions before submitting a further Full Commissioning Notice.

5.417 The licence includes a number of circumstances in which the Authority may consider revoking the Special Conditions. These include failure to achieve the Full Commissioning Date by the Longstop Date, insufficient progress towards delivery, project abandonment or circumstances where the Facility is no longer capable of being delivered broadly in line with the basis on which it was awarded the regime.

5.418 Where a revocation trigger has occurred and is continuing, the Authority may revoke the Special Conditions if it considers doing so necessary and proportionate in consumers' interests. Revocation of the Special Conditions does not, by itself, revoke the underlying generation licence.

5.419 Before deciding whether to revoke the Special Conditions, the Authority must provide the licensee with an opportunity to make representations and must consider those representations before reaching a final decision. Where appropriate, the Authority may also consult other parties.

5.420 If revocation occurs, the Authority carries out a final assessment and reconciliation of the regime up to the revocation date using the existing cap and floor framework. This ensures that any payments, recoveries and outstanding obligations are determined consistently with the licence, taking account of the shortened regime period.

5.421 Certain obligations continue after revocation where necessary to complete reporting, audit, reconciliation, settlement and repayment processes. The Authority may also determine how any remaining regime matters should be concluded in accordance with the licence.

Special Condition 27 – Disposals

5.422 This condition protects the asset base and cash flows on which the regime depends. It restricts disposals of Relevant LDES Assets, restricts security over those assets and over regime Receivables, restricts cross-default and group-related financing risk, sets the consent procedure, imposes extra requirements for related-party disposals, and governs the treatment of disposal proceeds.

5.423 A Disposal is defined broadly – any sale, transfer, assignment, novation, lease, licence, grant of rights, declaration of trust or other disposition, legal or beneficial, direct or indirect, for value or not, including a series of related transactions – and the restriction also captures Relinquishing Operational Control: arrangements giving another person exclusive or de facto control over dispatch, charging, discharging, outage planning or other operational decisions, or preventing the licensee from exercising an unconditional override for safety, compliance or licence performance (with the RIGs able to specify criteria, safe harbours and non-permitted features, including for optimiser structures, tolling, exclusivity, step-in rights and control of settlement flows).

5.424 Part A: no Disposal of, or Relinquishment of Operational Control over, any Relevant LDES Asset except in accordance with the condition and always subject to Legal Requirements. The exceptions are transaction-specific consent (after notification, with conditions complied with and procured from counterparties) or a class consent for assets of a specified description (still requiring notification).

5.425 Part B: no mortgage, charge, lien or other security over any Relevant LDES Asset or over any Receivable arising under the licence – including rights to Assessed Revenue, Special Condition 6 payments or other regime settlement amounts – except with consent following notification, or as part of a refinancing or rollover of existing Indebtedness under Special Condition 17 where both old and new debt finance the Regulated Business, the security scope is not materially extended, and the Authority is notified in advance or as soon as practicable after.

5.426 Security existing at the Effective Licence Date may be maintained and varied provided variations do not extend its scope.

5.427 Part C: no agreement triggering an event of default or termination for the licensee by reason of a related party's financial position or insolvency without prior written consent, unless demonstrated to be reasonable, necessary for financing the Regulated Business, and not materially increasing compliance risk; and no guarantees or indemnities exposing the Regulated Business, its assets or Receivables to enforcement arising from related-party obligations, without consent.

5.428 Costs or liabilities from arrangements breaching Part C may be treated as Excluded Costs.

5.429 Part D sets the consent procedure: not less than three months' prior written notice with the Supporting Information the Authority reasonably requires (extendable where more assessment time is needed); for a Material Disposal (one meeting FSPR thresholds, with aggregation of related transactions over the RIGs-specified period), a simultaneous Independent Valuer report on the asset's value, the proposed consideration and its justification.

5.430 The Authority may consent, withhold consent, or require further information, and consents may carry conditions on continuity of operation, assumption of licence obligations by a transferee, treatment of proceeds in the model, and FSPR amendments. Part E adds protections for Related Undertaking Disposals (transfers to related parties). Prior written consent is mandatory.

5.431 The notice must include an Independent Valuer confirmation that the consideration is no less than Open Market Value – the arm's length price after proper marketing, determined by a method consistent with the RIGs or as directed – and that it reflects the best price reasonably obtainable from an unrelated third party.

5.432 The transaction must be on commercial terms consistent with the valuation unless agreed otherwise, and material differences from the valuation must be justified with evidence retained for at least seven years. Where the Authority determines the disposal was not on commercial terms or not adequately evidenced, it has a set of corrective powers.

5.433 The Authority may determine the value attributed to a disposal and adjust the relevant revenue, cost or FSPR treatment accordingly. Associated non-qualifying costs may be treated as Excluded Costs, but foregone revenue or value should not itself be described as an Excluded Cost.

5.434 Part F governs proceeds. Disposals must be on commercial terms; gross and net proceeds and material transaction costs must be notified per the RIGs.

5.435 The Authority may determine how proceeds are taken into account – reducing AdjustedCost, the PCR Cost Baseline, P50, P90 or other FSPR cost parameters; requiring future PCAs or ORAs to use revised cost inputs; or treating net proceeds as reducing future floor recoveries from consumers – in each case so consumers receive an appropriate share of the benefit and there is no upward adjustment to the Cap or Floor arising from the disposal, with determinations recorded in the FSPR.

5.436 Where a disposal or related transaction is structured to extract value from the Regulated Business to consumers' detriment, the Authority may treat associated costs or losses as Excluded Costs, adjust revenues to Open Market Value, and direct further FSPR or model adjustments. Nothing prevents compliant refinancing or restructuring under Special Condition 17.

6. Guidance on the Schedules

Schedule A – ACOD Floor Level Schedule

6.1 Schedule A applies where the ACOD Approach applies as recorded in the FSPR. It sets the process and evidence for determining the Preliminary ACOD Floor Level between the Regime Start Date and Financial Close, covering the Debt Funding Competition (DFC) for raising the Facility's debt, any hedging supporting Senior Debt, and the ACOD Floor Parameters.

6.2 Achieved Gearing for the Schedule means Gearing calculated at Financial Close using the Debt (or Net Debt) and Equity amounts attributable to the Facility as recorded in the FSPR. The Schedule prevails over the LDES Financial Model and Handbook in any conflict.

Approvals architecture

6.3 The Schedule is built around Authority Approvals at defined control points, with no deemed approval: silence is never approval, a control point is met only when written Authority Approval is given, and the licensee must not progress beyond a control point without it.

6.4 For any submitted matter the Authority may approve, approve with conditions, refuse, require resubmission or more information, require an independent report, require a re-run of any step, or approve ACOD Floor Parameters with substitutions or exclusions.

6.5 The generic approval test requires the Authority to be satisfied, on evidence, that: the licensee complied with the Schedule and directions; the submission is complete, accurate and internally consistent; it is capable of audit and reproduction, reconciled to the FSPR and executed documents; conflicts of interest are identified, notified and mitigated; the process was run at arm's length with effective competition (having regard to the lender universe, bid participation, market terms and evaluation method); and no proposed ACOD Floor Parameter includes any Excluded Cost, Distribution or other ineligible item.

6.6 The Authority may require independent reports at any control point – addressed to it, by an approved person, with specified scope – at the licensee's reasonable cost and without confidentiality claims against the Authority, acting reasonably and proportionately.

6.7 Refusals must be written with reasons; the licensee has fifteen Working Days from a proposed-refusal notice to make representations; and where the Authority issues a final refusal of a required approval (and does not waive the control point), the Administrative Approach applies unless the Authority directs otherwise, with the applicable approach recorded in the FSPR. The Authority may also waive a control point by written notice.

Control points, timetable and the DFC

6.8 The key control points in the DFC process are: the DFC Plan; the market sounding report and lender universe; the lender invitation pack; the evaluation and selection of the preferred lender; the lockbox report; the Financial Close protocol; the Senior Debt Hedging Policy, where applicable; and the Financial Close pack, including the ACOD Floor Parameters.

6.9 Default submission dates, unless directed otherwise, are: DFC Plan within 90 Working Days of the Regime Start Date; market sounding report no later than sixty days before bid invitation; lender invitation pack at least 10 Working Days before issue; preferred lender evaluation report within fifteen Working Days of selecting the preferred lender group; lockbox report and Financial Close protocol when commitment letters are agreed and before Financial Close; and the Financial Close pack within ten Working Days of Financial Close.

6.10 The Authority may vary dates, add milestones, set materiality thresholds for enhanced oversight and require deviation reporting.

6.11 Each submission's content follows the RIGs, with stated minimums. The DFC Plan must set out the timetable and control points, the scope of debt to be raised (instruments and proposed security), and the evaluation methodology including weightings and change control. The market sounding report must evidence the lender universe considered, market feedback and any competition constraints, with a possible adviser attestation.

6.12 The lender invitation pack must enable like-for-like bid comparison and demonstrate alignment with the cost baseline and key cap and floor features. The preferred lender evaluation report – required before executing commitment letters – must show the bids received and comparison basis, scoring against the approved methodology, and the recommended outcome with reasons; evaluation weightings cannot change without approval.

6.13 The lockbox report lists priced terms and material non-priced terms and identifies flex and change mechanisms; after the lockbox point, no material change to priced terms, covenant or DSCR terms, reserves or liquidity, facility structure, security, hedging terms or lender group may be agreed without Authority Approval, and any such approval must be recorded in the Financial Close pack.

6.14 Governance requirements run alongside: a conflicts register covering the licensee, related parties, advisers, lenders, hedge providers and key contractors; notification of actual or potential conflicts within five Working Days with mitigations; no Associate appointed to a paid adviser role for the DFC without approval; and retention of bidder communications records, with redacted versions where the Authority requires.

Hedging, parameters and Financial Close

6.15 Where Senior Debt risks are hedged, a Senior Debt Hedging Policy must be approved before placing any hedge not covered by an approved policy, with content demonstrating that hedge execution and related costs are economic, efficient and effective.

6.16 Hedge confirmations (trade date, start and end dates, notional, pricing, margins, fees, counterparty) and evidence of competition and counterparty selection rationale must be provided; hedge costs may enter the ACOD Floor Parameters only where placed under an approved policy and evidenced.

6.17 The ACOD Floor Parameters themselves must reflect executed Senior Debt documents at Financial Close, be limited to parameters affecting Debt Service and required coverage, and exclude any Distribution, Shareholder Debt, ineligible related-party value transfer, other ineligible items and all Excluded Costs.

6.18 Actual Cost of Debt may include interest (reference rate and margin), lender transaction and commitment fees and other mandatory lender costs, agency, security and intercreditor maintenance costs, permitted hedging execution and credit costs, required reserve account costs, lender-required letters of credit or guarantees, and lender-required third-party adviser costs as conditions precedent – in each case evidenced in executed documents and invoices, attributable to the Facility, and on arm’s length terms.

6.19 Achieved Gearing must not exceed the Gearing Cap; achieved Gearing and DSCR terms must be submitted with evidence; and for approval purposes the Authority may direct the gearing calculation method, require a capped DSCR for calculation purposes, and disallow DSCR or structural terms not justified by deliverability. Cash sweeps, mandatory prepayments and lock-up triggers must be disclosed, and costs from lock-up structures not required for deliverability may be disallowed.

6.20 The Financial Close pack must include executed Senior Debt (and hedging) documentation, a clear tie-out from executed terms to the proposed parameters, and director certification. Following approval of the pack, the Authority determines the approved ACOD Floor Parameters for LDES CFFM1, calculates and determines the Preliminary ACOD Floor Level, decides whether the Administrative Floor applies instead, and issues a written determination recorded in the FSPR.

Post-close discipline

6.21 ACOD Floor Parameters are fixed at Financial Close and must not increase afterwards, regardless of any subsequent refinancing, amendment, waiver, restructuring, covenant change, margin ratchet or other variation – without prejudice to adjustments at Post Construction Review under Special Conditions 7 and 3.

6.22 Refinancings, amendments, waivers and restructurings of Senior Debt must be notified, where practicable at least sixty days in advance, with a value-for-money assessment and comparison to existing terms; the Authority may direct reporting changes and repayment treatment, including treatment of refinancing gains for consumer benefit. At PCR, the licensee must evidence use of debt facilities, including undrawn commitments and unused contingency facilities, and the Authority may adjust floor-related inputs to remove unused debt costs.

6.23 Records must be retained per the RIGs or Special Condition 14, the Authority may audit and require assurance, and on breach it may take any of the approval-stage steps including disallowing costs for ACOD purposes or determining that the Administrative Approach applies.

Schedule B – Performance Test Protocol

Commissioning Tests (Part A)

6.24 Before the regime's operational phase begins, the Facility must pass a series of Commissioning Tests demonstrating its performance against the FSPR parameters, verified consistently with Good Industry Practice. The approach is set out in a Test Plan – prepared by the licensee, reviewed by the Independent Certifier, and approved by the Authority (approval not to be unreasonably withheld or delayed) before the commissioning programme starts.

6.25 Once approved, the Test Plan is the basis for determining whether the tests have been complied with and passed and can be amended only with Authority approval.

6.26 The key tests are as follows. The Endurance Test demonstrates that the Facility can, at Reference Conditions, continuously discharge at its Rated Export Capacity for at least the Minimum Duration; the Facility is charged to the Upper Charge Limit and discharged to the Lower Charge Limit at constant output equal to Rated Export Capacity, with the energy delivered at the Boundary Point measured to verify the Effective Usable Energy Capacity.

6.27 It passes if net export of not less than Rated Export Capacity is sustained for not less than the Minimum Duration and the measured net energy delivered is not less than Rated Export Capacity multiplied by the Minimum Duration (or another FSPR-recorded MWh threshold), within Good Industry Practice uncertainty, with operation throughout compatible with consent and permit conditions to the Independent Certifier's satisfaction.

6.28 The Endurance Test must be successfully completed twice, with all cycles meeting the energy and duration requirements. Charge and Discharge Rate

Verification confirms that power flows at the Boundary Point genuinely reach Rated Export Capacity on discharge and Rated Import Capacity on charge, sustained for a Good Industry Practice period in each direction – failure means the Endurance Test must be repeated.

6.29 State of Charge Measurement and Control Validation confirms the accuracy of SoC measurement (compared against actual energy in and out) and that the control system automatically stops charging at the Upper Charge Limit and discharging at the Lower Charge Limit.

6.30 Compliance with Upper and Lower Charge Limits requires at least one complete full-charge cycle and one complete full-discharge cycle in addition to the Endurance Test, with any additional control-system safety buffers beyond the defined limits disclosed and reflected in the Effective Usable Energy Capacity. Availability testing over an appropriate period must give high confidence the licensee can meet or exceed the Minimum Availability Target each year.

6.31 Round Trip Efficiency must be demonstrated at not less than the FSPR minimum, judged on the arithmetic average across the two Endurance Tests – failure again means the test must be repeated. Tests are carried out at Reference Conditions where possible; where not reasonably achievable, the Authority may direct rescheduling or permit a correction methodology from the approved Test Plan.

6.32 Retesting after rectification works is required only where the rectification could reasonably be expected to materially affect a previously completed test, as confirmed by the Independent Certifier.

6.33 The procedural spine is as follows. The licensee gives at least ten Working Days' notice of any test or retest, and the Authority, its advisers and the Independent Certifier may attend and observe. Within ten Working Days of completing the tests, the licensee gives a Performance Test Notice stating that the tests have been complied with and passed.

6.34 The notice must be accompanied by three things. First, a Directors' Certificate, signed by two directors, certifying the information is true, complete, accurate and not misleading. Second, an Independent Certifier Certificate, certifying that each test was carried out per the Schedule, Test Plan and protocol, that metering, data acquisition and calculations were properly applied, and that the results are supported by the evidence.

6.35 Third, the Supporting Information: metering records, SCADA and BMS logs, test scripts, configuration records, event logs, calibration certificates, calculations and summaries, including Boundary Point time series, SoC logs, limit setpoints, timings and uncertainty computations.

6.36 Within 20 Working Days the Authority responds with a Performance Test Assessment Response Notice stating that the tests passed, failed, or that it needs specified further information – in which case the licensee has 10 Working

Days to provide it (or longer as specified) and the Authority a further 20 Working Days to confirm.

6.37 A notice lacking the required content or certificates, or met with a failed assessment, is ineffective, but the licensee may remediate, retest and submit a fresh notice with fresh certificates.

6.38 The Independent Certifier is appointed by the Authority (possibly one certifier, or a small panel with cross-project moderation, across multiple facilities), must have appropriate qualifications across engineering, metering and settlement, allocation methodologies and financial assurance as applicable, must be free of conflicts – not an Affiliate or Associate of the licensee or any co-located asset owner, and not on contingent or performance-linked fees – must work to Good Industry Practice and professional standards with working papers available to the Authority, and its reasonable, efficiently incurred costs are borne by the licensee.

6.39 Its certificates must identify the subject and period, the assurance level and basis, the procedures performed, a clear conclusion (pass or fail, methodology opinions, accuracy opinions, Good Industry Practice consistency), conditions, limitations and quantified deviations, and be signed with a statement of independence.

Periodic testing and Reference Capacity (Parts B and C)

6.40 Throughout the Regime Duration, when the Floor is in force, the Facility must continue to meet its capacity, duration, power and control obligations, demonstrated by Periodic Performance Tests: at least once every three years during the Operational Period; additionally as soon as reasonably practicable after any event reasonably expected to materially affect performance (major maintenance, refurbishment, component replacement, augmentation, upgrade or modification affecting Rated Export Capacity or Effective Usable Energy Capacity); and where operational data indicates a sustained reduction in performance materially below committed values.

6.41 Each test assesses, so far as applicable, the same core characteristics as commissioning – endurance, usable energy, charge and discharge power at the Boundary Point, SoC accuracy, Round Trip Efficiency, and charge limit compliance – without replicating commissioning in full, verifying continued performance consistent with the commissioning outcomes subject to Permitted Degradation. Results are corrected to Reference Conditions per the Test Plan, Good Industry Practice or a justified methodology.

6.42 Permitted Degradation is degradation consistent with OEM warranties or degradation curves and with Good Industry Practice for comparable assets and duty cycles; the Independent Certifier must state explicitly whether observed degradation falls within those bounds, identify the benchmark used, and explain why the degradation is reasonable. Notwithstanding any Permitted Degradation, the Facility must remain capable of meeting the minimum requirements, including delivering the Minimum Duration at Rated Export Capacity.

6.43 Each test produces a report (testing, results, corrections, compliance assessment) accompanied by a Directors’ Certificate and Independent Certifier Certificate.

6.44 A Failed Test must be notified within five Working Days of awareness; within 20 Working Days the licensee must provide a root-cause assessment, technical evidence, a compliance impact assessment and a remedial action plan; remediation must be followed by a retest as soon as reasonably practicable and within six months of completing the remedial works (unless agreed otherwise), on the same scope, correction, reporting and certification basis; and all results, failures, remediations, retests and revised declarations are documented and retained.

6.45 Part C fixes Reference Capacity – the denominator of the availability calculation. It is the average deliverable power in MW at the Boundary Point proven by testing and recorded in the FSPR; facilities whose deliverable power changes with state of charge must demonstrate a power delivery profile over time. Initially it is the lesser of the average deliverable export and import power demonstrated in the Commissioning Tests, corrected to Reference Conditions. After each Periodic Performance Test, the licensee considers whether it remains accurate.

6.46 If a test shows the Facility cannot achieve the recorded Reference Capacity due to a technical limitation (other than one arising solely from State of Energy), the licensee must notify the Authority promptly and either remediate and retest, or – if the shortfall persists and the Authority both concludes the degradation is Permitted Degradation and so directs – update the FSPR value to the certified tested level, supported by the test report and both certificates.

6.47 Reference Capacity remains the FSPR value unless and until the Authority directs an update: demonstrated underperformance does not of itself change it, and is instead addressed through availability, MAT assessment or enforcement unless the Authority directs otherwise.

Schedule C – Co-Location and Behind the Meter Generation

6.48 Schedule C ensures that where the Facility shares a site, connection, metering or market participation arrangements with other assets – whether or not commonly owned – the regime’s revenue and cost measures remain identifiable, auditable and undistorted.

6.49 It applies from the Effective Licence Date for as long as any co-location or behind-the-meter arrangement exists, must be applied for the purposes of Special Condition 4 and any other condition relying on attribution, yields to the Special Conditions in any conflict, and does not limit the Structured Transactions, Financial Resilience or Excluded Costs provisions.

Metering, attribution and governance

6.50 The metering rules require Code-compliant arrangements that let the Authority measure the Facility's Boundary Point imports and exports and all Behind-the-meter Transfers (flows between the Facility and a co-located asset that do not pass through the Facility's Boundary Point meter). The Facility must have a metering point allowing its import and export to be determined independently of any co-located asset, with alternatives only by consent where equivalent separation and auditability is demonstrated.

6.51 Sub-metering (or equivalent), auditable and retained with the underlying time series, must measure at settlement-period granularity: charging energy received from co-located generation behind the meter; charging energy from other behind-the-meter sources; energy discharged to co-located load behind the meter; and any other directed transfers.

6.52 Where metering is unavailable or unreliable, values are estimated under the RIGs hierarchy, flagged as provisional and reconciled, with estimation methods that must not systematically increase consumer support relative to a reasonable estimate of outturn.

6.53 The attribution principles require that only amounts attributable to the Facility and Regulated Assets enter Gross Revenue, Market Related Costs and Non Controllable Operational Costs; that each transaction, flow or cost item counts once only; that methods are applied consistently across years unless a change is approved; that no approach is used whose purpose or likely effect is to distort Assessed Revenue against arm's length outcomes; and that subsidies, certificates or support payments referable to co-located generation (renewables support, capacity mechanism payments not directed for the Facility, or other schemes) are excluded from the Facility's Gross Revenue unless directed otherwise.

6.54 The licensee must prepare and maintain an Attribution Methodology for any co-located or behind-the-meter site, covering identification of co-located and shared assets; metering, data sources and quality controls; allocation of energy flows, revenues and costs including shared costs and regulated charges; the valuation rules for transfers; prevention of double counting; and estimation and true-up handling.

6.55 The methodology is submitted for Authority confirmation; pending confirmation it may be applied provisionally to the extent consistent with the Schedule; the

Authority may confirm, confirm with conditions, require aligning changes, or refuse and direct an alternative, with required changes implemented from the stated date and earlier-period restatements only as directed.

6.56 Material changes need prior confirmation or direction, recording in the FSPR occurs where directed, and the Schedule always prevails over the methodology – no confirmation permits a treatment reducing Gross Revenue, increasing Market Related Costs or otherwise increasing expected consumer support relative to the Schedule, unless the Authority expressly directs it with recorded reasons.

6.57 Annually, an Attribution Report (senior-officer of the licensee certified) identifies the methodology version applied, confirms compliance, quantifies each deviation, error or data limitation and its impact on the revenue and cost measures, and sets out corrections and true-up timetables. The Authority may direct departures from the Schedule where necessary to give proper effect to the regime, after consulting the licensee, in writing with reasons, an effective date and transition or true-up requirements.

Valuing behind-the-meter energy

6.58 The core rule is that every Behind-the-meter Transfer is treated as an external transaction of the Facility for Assessed Revenue purposes, whether or not any internal payment is made and whether or not the counterparty asset sits in the same legal entity.

6.59 The starting valuation for each settlement period is the Market Reference Price (MRP_i) – the Authority-directed price series, derived (unless the RIGs specify otherwise) from published market indices or settlement prices and reproducible from reported data, with different series possible for different transfer categories.

6.60 The valuation is then asymmetric, deliberately protective of consumers: where a transfer produces a cost item (for MRC or NCC), the amount included is the lower of MRP_i and the Efficient Proxy Cost; where it produces a revenue item (for Gross Revenue), the amount included is the higher of MRP_i and the Efficient Proxy Value.

6.61 The Efficient Proxy Cost is the lower of any evidenced, auditable actual internal transfer charge and an efficient cost proxy determined under the RIGs; the Efficient Proxy Value is the higher of any evidenced actual internal receipt and an efficient value proxy. Proxies must include only economic, efficient and effective amounts, exclude Excluded Costs, and exclude value that would double count with revenues or support received by any other asset.

6.62 Internal accounting records must let the Authority reproduce each proxy and reconcile it to metered volumes, invoices, settlement statements and management accounts.

6.63 Negative prices receive specific treatment: Gross Revenue must not be negative for any settlement period – a negative revenue amount is set to zero, with the negative amount instead treated as a Market Related Cost for the period; and a negative amount may enter the cost lines only where the licensee evidences, to the Authority's satisfaction, that it reflects an external settlement benefit actually earned or an external payment unavoidably avoided in the period – failing which the price input for the cost valuation is treated as zero.

6.64 The no-double-counting rule applies throughout, including netting where a proxy value is later replaced by an accrual value. Applying these rules: charging energy sourced from co-located generation behind the meter is treated as an energy purchase, with a deemed charge cost – the sum over settlement periods of metered charging MWh times the cost valuation price – included in Market Related Costs, and internal transfer prices disregarded except as evidenced inputs to the proxy.

6.65 Discharge to co-located load behind the meter is treated as a sale, with deemed discharge revenue – metered discharge MWh times the revenue valuation price – included in Gross Revenue, again disregarding internal prices except as proxy inputs. Where the Efficient Proxy Value is derived from the counterparty's avoided external procurement costs, it must follow the RIGs, be limited to economic, efficient and effective genuinely avoided costs, and avoid double counting.

6.66 The Facility's own auxiliary consumption is not a Behind-the-meter Transfer and generates no Gross Revenue. The Authority may direct that other transfers are treated as deemed purchases, deemed sales, or excluded where exclusion does not distort Assessed Revenue, specifying the valuation basis and effective date.

Shared items, reporting and anti-gaming

6.67 Site-level or portfolio-level items relating to both the Facility and co-located assets – imbalance settlement, balancing mechanism items, Optimiser fees and other Market Related Costs – must be allocated on a reasonable, causation-reflecting basis, defaulting to proportionality to the metered energy volumes that drove the item unless the Authority directs another basis, with a retained reconciliation of source data, method and results.

6.68 Shared Connection Asset and site costs must be allocated on an evidence-based, replicable, use-consistent basis, defaulting to measured flows where measurable and otherwise a capacity-based or directed allocator. Site-billed network and regulated charges are allocated consistently with the charging basis and available measurements; charges relating solely to one asset stay with that asset.

6.69 The licensee must maintain a co-location register (asset type and capacity, ownership and related-party status, connection and metering configuration, and transfer descriptions) and report, per the RIGs, Boundary Point flows, all transfers and their valuations, the price series used, all allocation methods, and no-double-counting reconciliations, with Authority-directed independent assurance at the licensee's cost.

6.70 Material changes to the co-location configuration, metering, attribution-affecting market arrangements, or the identity or capacity of a co-located asset must be notified in advance, and the Authority may then direct changes to the attribution approach or price series.

6.71 An anti-gaming provision closes the Schedule: the licensee must apply it to support accurate measurement of the Facility's market performance, and where the Authority determines that an attribution or valuation treatment overstates costs, understates revenue, or otherwise distorts Assessed Revenue contrary to Schedule C, it may take the corrective action expressly permitted by the Schedule. Compliance with the Schedule does not of itself make any transaction compliant with the Structured Transactions condition or other conduct, procurement or related-party controls.

The Facility Specific Parameters Register (FSPR)

6.72 The FSPR document appended to the Special Conditions records only the facility-specific parameters, values, designations and effective dates required to apply the Special Conditions to the Facility.

6.73 It restates its own status rules: it does not form part of the licence; the Special Conditions prevail in conflict; it must not restate or modify them; the licensee must use its recorded values when calculating, reporting and settling amounts; it is amended only by Authority direction under Special Condition 24; every parameter carries an effective date; and prior values remain available for audit and reconciliation.

6.74 Unless the Authority directs otherwise, it consists only of the parameter tables and the determination log.

6.75 The parameter tables and the determination log are summarised in Table 7. The determination log records each determination or direction – date, condition, summary and effective date – giving a continuous audit trail of how the recorded parameters came to be.

Table 7 What the FSPR records

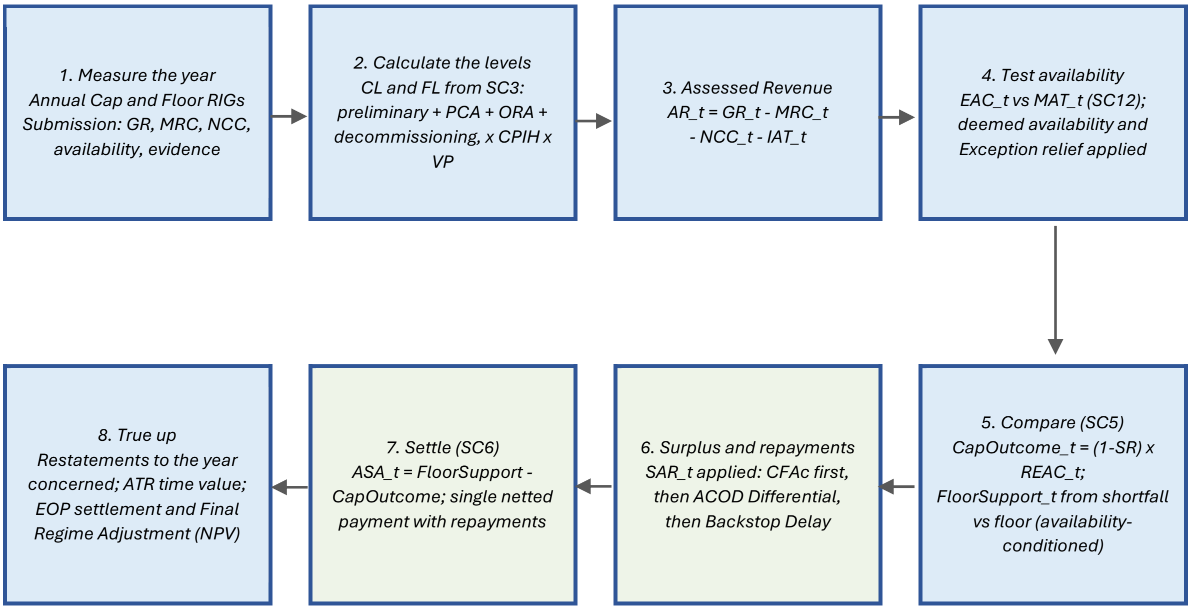
Parameter area	What is recorded
Identification	Licensee legal name, company number, facility name, technology type
Regime parameters	Track 1 or 2; application window; Financing Approach (Administrative or ACOD); facility classification (Project Finance or Balance Sheet)

Parameter area	What is recorded
Key dates	Effective Licence Date, Regime Start Date, Full Commissioning Date, Target Delivery Date, Backstop Date, Longstop Date, Regime Duration (years), Regime End Date, Financial Year basis, and milestone dates (FID, Financial Close, grid connection, planning consent, other directed milestones)
Assessment and settlement	Relevant Assessment Period length; settlement cadence; Within Period Adjustment availability and any WPA materiality threshold
Cap and floor base terms	Base Year; PCL; PAdminFL; PACODFL; Sharing Rate (shown in the template with a value of 0.3)
Adjustment terms	PCAC, PCAAF-Admin, PCAAF; ORAC, ORAAF-Admin, ORAAF; a decommissioning change-in-law table of DCC_t and DCF_t by year where directed
Inflation and discounting	CPIH base period; the balance sheet Operational Discount Rate where not SONIA-plus-margin; the ACOD margin over SONIA
Cost estimates and outturns	P50; P90 or Facility Cost Ceiling; PCR Cost Baseline; Final Outturn Cost Baseline; FMPT; AdjustedCost
Availability	Rated Export and Import Capacities; Reference Capacity; Minimum Duration; Minimum Availability Target; any other minimum storage requirement; Round Trip Efficiency (exported energy ÷ imported energy at the Boundary Point over a complete cycle)
Procurement and Optimiser	Applicable Procurement Threshold; Optimiser fee caps y% and yRP%; any facility-specific ORB variant; Marginal Cycling Cost parameters
Non-Controllable Operational Costs	Designated categories; de minimis threshold; caps or collars; the TNUoS pass-through percentage
Decommissioning	Allowed regime-share cost; fund profile reference; fund return assumption
Backstop Delay Charge	BackstopDelayDays and the Backstop Delay Factor

7. How a year works: the assessment and settlement cycle step by step

7.1 This section pulls the core conditions together into a single narrative of one operational Relevant Year, to show how the pieces connect. Assume the Facility is commissioned, the Floor is in force, and the FSPR records the applicable parameters.

Figure 2 The annual assessment and settlement cycle



Each Relevant Year stands alone (the "locked box"): outcomes are never netted or averaged across years - only the settlement layer aggregates, on an NPV basis.

7.2 Step 1 – Measure the year. Through the year, the licensee earns market revenues, incurs costs, and reports NCC estimates quarterly.

7.3 After year end, it compiles the Annual Cap and Floor RIGs Submission: Gross Revenue by category (grossed up for any Optimiser or net-settled arrangements, and including deemed behind-the-meter revenues under Schedule C); Market Related Costs by category (energy purchases including deemed charge costs, market fees, Marginal Cycling Costs and Admitted Optimiser Fees after applying the fee cap); actual NCC within three months of year end; availability data including the EAC calculation and outage log; and the supporting evidence, methodologies and certifications the RIGs require.

7.4 Step 2 – Calculate the levels. The Cap Level and applicable Floor Level for the year are produced by the Special Condition 3 formulas: the preliminary term plus any directed PCA, ORA and decommissioning adjustment terms (zero until directed), indexed by the CPIH term and scaled by the Partial Year factor if relevant.

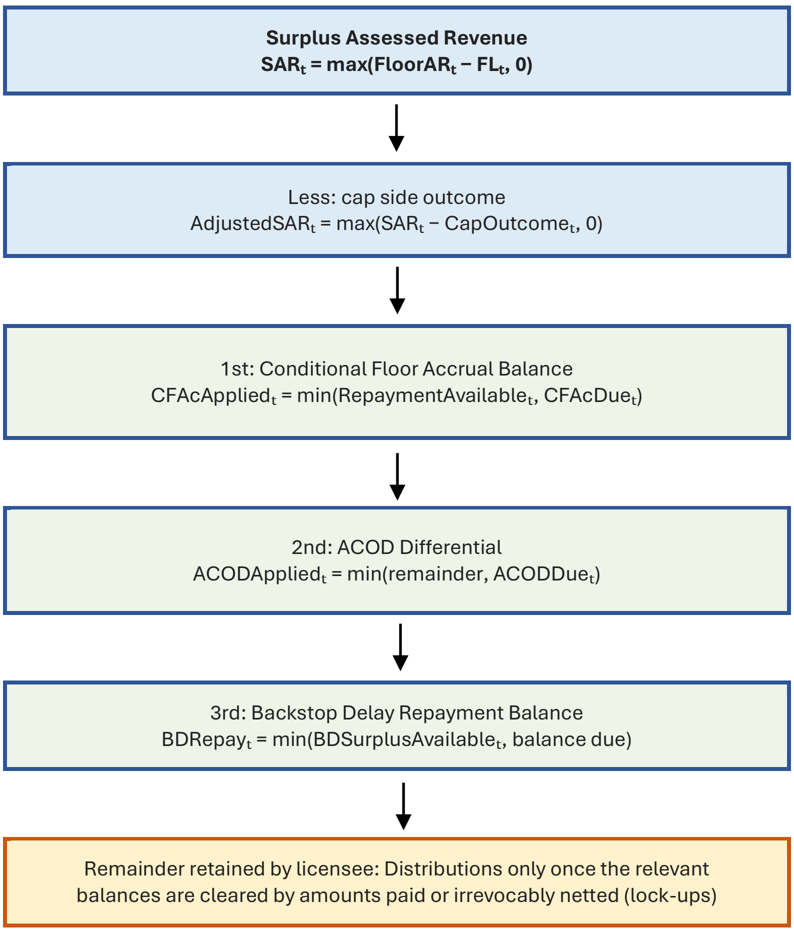
7.5 Step 3 – Determine Assessed Revenue. $AR_t = GR_t - MRC_t - NCC_t - IAT_t$, with NCC_t as determined (or provisional pending determination) under Special Condition 10 and IAT_t zero unless the Authority has determined an Income Adjusting Event.

7.6 Step 4 – Test availability. EAC_t (and $FloorEAC_t$ for the floor-in-force period) is compared with MAT_t, after applying any deemed availability for compliant-noticed Force Majeure or ESO instructions and any Exceptional Event directions. If availability meets the target, the Floor operates normally. If not: a Balance Sheet facility gets zero FloorSupport for the year; a Project Finance facility still receives FloorSupport, limited by the four-times-Floor cap on the Conditional Floor Accrual Balance, with the amount credited to that balance for future repayment.

7.7 Step 5 – Compare against cap and floor. The Authority determines $REAC_t$ and $CapOutcome_t$ on the cap side, and $FloorSupport_t$ on the floor side using $FloorAR_t$, under Special Condition 5 Part A. Each year stands alone – outcomes are never netted or averaged across years.

7.8 Step 6 – Identify surplus and repayments. If $FloorAR_t$ exceeds the Floor Level, the surplus (SAR_t) triggers the repayment hierarchy: after allowing for $CapOutcome_t$, the available surplus repays first the Conditional Floor Accrual Balance and then the ACOD Differential ($RepaymentAvailable_t$), and any remaining surplus then repays the Backstop Delay Repayment Balance ($BDRepay_t$) where one exists. Distribution lock-ups remain in place until the relevant balances are cleared by amounts actually paid or irrevocably netted.

Figure 3 How a surplus above the Floor is applied (repayment hierarchy)



Repayments are paid to the ESO as part of the year's settlement (SC6 Parts E, F and H); nothing counts until paid or irrevocably netted

7.9 Step 7 – Settle. Where annual settlement applies, ASA_t = $FloorSupport_t$ – $CapOutcome_t$ is determined, and all amounts due in both directions – ASA_t, RepaymentAvailable$_t$, BDRepay$_t$, any Restatement Adjustments and any cash-settled Within Period Adjustments – are netted into one payment under Part H, due within the directed period or thirty days of invoice.

7.10 Where annual settlement does not apply, no cash moves for the year, but its outcomes feed the end-of-period NPV true-up, and a Within Period Adjustment remains available for material interim shortfalls or excesses. The licensee keeps the ESO informed of expected net amounts for BSUoS purposes.

7.11 Step 8 – True up. Corrections – late settlement data, replaced provisional values, NCC and IAT determinations, model error fixes, restated availability – are allocated back to the year they relate to, restated by the Authority, and settled as Restatement Adjustments at the next settlement event with ATR time value.

7.12 At the end of each Relevant Assessment Period, the end-of-period settlement closes any gap between the period's NPV outcome and the NPV of what has been paid; at the end of the regime, the Final Regime Adjustment does the same across the whole Regime Duration, delivering NPV neutrality. The Backstop Delay Charge sits outside this neutrality and is a permanent consumer benefit.

8. Consumer protections and licensee protections: a cross-cutting summary

8.1 This section collects the regime's balance of protections in one place. It summarises provisions explained in full earlier in this guidance.

8.2 The licence protects consumers in several layers. The cap shares revenue above the Cap Level with consumers. The availability conditions make floor support conditional on performance: they are backed by the Minimum Availability Target, the Conditional Floor Accrual repayment obligation with its four-times-Floor cap, and the forfeiture rule for Balance Sheet facilities.

8.3 The ACOD Consumer Clawback repays, from future surpluses, any excess of ACOD floor support over what the administrative floor would have produced.

8.4 Late, over-budget delivery attracts the Backstop Delay Charge, which is repaid from surplus and sits outside NPV neutrality – a permanent transfer to consumers. On construction costs, consumers receive half of any underspend against P50, and costs above P90 are disallowed unless covered by the Force Majeure pass-through. Cost quality is policed throughout by the Excluded Costs regime, the procurement discipline in Special Condition 22, and the Optimiser fee caps.

8.5 Conduct controls add further protection. These include the structured transaction powers, the market participation and anti-manipulation duties, the asymmetric valuation of behind-the-meter transfers, the disposal and proceed controls, and the prudence rule for provisional values. Distribution lock-ups apply while consumer balances are outstanding, while Gearing exceeds the cap, and where directed for decommissioning fund shortfalls.

8.6 Finally, repayment obligations survive the end of the regime, and no amount is payable to the licensee under the regime after the Regime End Date.

8.7 The licensee is protected in corresponding ways. The floor itself applies from Full Commissioning. Efficient construction costs between P50 and P90 are passed through in full, as are designated non-controllable operational costs.

8.8 The Income Adjusting Event mechanism deals with material events outside the licensee's control that no other mechanism covers.

8.9 Force Majeure attracts both time relief (day-for-day extensions to the Target Delivery Date and Backstop Date) and cost relief (the FMPT, which can cover costs above P90). Availability relief is available through deemed availability for Force Majeure and system instructions, and through Exceptional Event determinations. The sequencing of the Backstop Delay repayment means the charge can never push the licensee's retained revenue for a year below the Floor Level.

8.10 Liquidity and procedure round out the licensee's protections. Within Period Adjustments provide interim cash where multi-year settlement would otherwise leave a material shortfall unaddressed. Procedural safeguards apply throughout completeness notifications, fixed determination windows, draft views, representation periods, written reasoned decisions, and minimum consultation periods for RIGs, model and FSPR changes.

8.11 The NPV-neutral true-up machinery corrects both over-payment and under-payment, with time value of money.

Send us your feedback

We welcome comments on this draft guidance and the accompanying draft licence conditions as part of the July 2026 Call for Input process. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this guidance?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.